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**General Assembly**
**Fifty-eighth session**
Agenda item 37
**The situation in the Middle East**

**Security Council**
**Fifty-eighth year**

## Letter dated 3 November 2003 from the Permanent Representative of Lebanon to the United Nations addressed to the Secretary-General

On instructions from my Government, I transmit to you hereunder a list of persistent Israeli violations and acts of aggression against Lebanon committed between 22 and 27 October 2003.

**Violations of airspace**

Between 0000 and 0015 hours on 22 October 2003, an Israeli reconnaissance aircraft flew over the sea off Beizut, 12 miles from the coast, heading towards Jouneih to the west of Shikka, 7 miles from the coast. The aircraft then headed south to a point 12 miles from the coast in the direction of Jounieh and reached a point west of Shikka, 7 miles from the coast. It then headed south to a point 12 miles west of Beizut, violating Lebanese airspace.

Between 0025 and 0300 hours on the same day, an Israeli reconnaissance aircraft flew over the sea off Jounieh at a distance of 12 miles heading towards the town, reaching a point 5 miles from the coast. It then headed north to a point 5 miles west of Jubayl where it circled between Jubayl and Khaldah, between 5 and 11 miles from the coast, violating Lebanese airspace.

Between 1230 and 1238 hours on the same day, two Israeli warplanes flew over the sea in an easterly direction off Naquzah as far as the Alma al-Sha'b area, violating Lebanese airspace.

Between 1238 and 1254 hours on the same day, two Israeli warplanes flew north over the Kafr Killa area, breaking the sound barrier. They were then followed by two warplanes which overflew the sea off Beizut. All four aircraft circled over the Shikka and Al-Arz (Cedars) areas, violating Lebanese airspace.

Between 1245 and 1254 on the same day, two Israeli warplanes overflew the Kafr Shuba area and circled over the South, violating Lebanese airspace.

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Between 1256 and 1320 hours on the same day, three Israeli warplanes overflew the occupied Shab'a farmlands and circled over the South, reaching an area east of Sidon, violating Lebanese airspace.

Between 1325 and 1400 hours on the same day, two Israeli warplanes overflew the Mays al-Jabal area heading towards Tyre and circled over the South and East, violating Lebanese airspace.

Between 0202 and 0515 hours on 23 October 2003, an Israeli reconnaissance plane flew over the sea off Sidon in the direction of the Bekaa, circled over the Dahr al-Baydar and Zaghlah areas, and were then followed at 0340 hours by another Israeli reconnaissance aircraft which overflew the areas of Rashia and Jazzin, violating Lebanese airspace.

Between 0945 and 1030 hours on 24 October 2003, the airforce of the Israeli enemy overflew the occupied Shab'a farmlands at high altitude, violating Lebanese airspace.

**Violations of territorial waters**

Between 0330 and 0445 hours on 22 October 2003, in the open sea off Ra's Naqurah, an enemy Israeli military boat fired an illumination flare and a number of bursts of medium-weapons fire over the water.

At 0440 hours on 23 October 2003, in the open sea off Ra's Naqurah, an enemy Israeli military boat fired an illumination flare over the water.

At 1119 hours on the same day, in the open sea, an enemy Israeli military boat fired a number of bursts of medium-weapons fire over the water.

At 2149 hours on the same day, in the open sea, an enemy Israeli military boat fired an illumination flare over the water.

Between 0130 and 0300 hours on 24 October 2003, an enemy Israeli military boat fired a number of bursts of medium-weapons fire in the open sea off Ra's Naqurah.

At 0709 hours on the same day, an enemy Israeli military boat fired a number of bursts of medium-weapons fire over the sea off Ra's Naqurah.

**Acts of aggression in the field**

At 1150 hours on 22 October 2003, the Israeli enemy forces fired three 120-mm mortar shells from their position at Zibdin in the occupied Shab'a farmlands which fell in the farmlands in the vicinity of Birkat al-Nakkar.

At 1150 hours on 23 October 2003, the Israeli enemy forces fired a number of bursts of medium-weapons fire from their position at Ruwaysat al-Alam in the occupied Shab'a farmlands in the direction of the area surrounding the position. This was followed by further bursts of fire in the direction of Birkat al-Nakkar in the farmlands.

At 1410 hours on the same day, the Israeli enemy forces fired a number of bursts of medium-weapons fire from their position at Radar hill in the occupied Shab'a farmlands in the direction of the area surrounding the village of Shab'a,

setting fire to an area of approximately 1 dunum (1,000 square metres) of dry grass. The fire was put out by civil defence personnel.

Between the beginning of October and the present day, the Israeli enemy forces have violated Lebanese airspace and territorial waters and have fired shells and directed bursts of fire at the areas surrounding their positions in the occupied Shab'a farmlands, the outlying areas of several nearby villages and border areas. In all, some 62 air violations, 35 sea violations and 32 land violations have been recorded.

On 27 October 2003, the field situation in the occupied Shab'a farmlands and the surrounding areas became tense, as detailed below.

At 1520 hours and 1630 hours, resistance elements fired a number of 107-mm sager missiles, 106-mm artillery rounds and 120-mm mortar shells in the direction of the Israeli enemy's positions in the occupied Shab'a farmlands at Ruwaysat al-Alam, Sammaqah, Ramta, Fashkul and Khirbat al-Duweir.

The Israeli enemy immediately launched an artillery bombardment and air raids (10 air-to-surface missiles) outside the villages adjacent to the occupied Shab'a farmlands, as follows:

Between 1540 and 1600 hours the Israeli forces fired a number of 155-mm artillery rounds from their positions in the occupied Shab'a farmlands which fell outside Habbariah, Rashia al-Foukhar, Kafr Shuba and Hilta; they also fired a number of bursts of medium-weapons fire towards the area round their positions at Radar, Ramta and Ruywaysat al-Alam.

At 1610 hours, the airforce attacked at the north of the village of Hilta firing an air-to-surface missile.

At 1625 hours, the airforce attacked the outskirts of Rashia al-Foukhar, firing an air-to-surface missile.

At 1635 hours, the airforce attacked the Rashia al-Foukhar-Mari crossroads, firing an air-to-surface missile.

At 1647 hours, the airforce attacked East Kawkaba, firing an air-to-surface missile.

At 1700 hours, the enemy Israeli forces sounded warning sirens in the Mutlah settlement.

At 1735 hours, the airforce attacked the outskirts of Mari and Rashia al-Foukhar, firing four air-to-surface missiles.

At 1740 hours, the airforce attacked the outskirts of Kawkaba, firing an air-to-surface missile.

Between 1745 hours and 1810 hours, the Israeli forces fired a number of 155-mm shells from their positions in the occupied Golan which fell outside the villages of Kafr Shuba, Hilta, Majidiyah and Rashia al-Foukhar.

The bombardment ended at 1815 hours.

As a result of the Israeli bombardment, many windows were broken in homes and places of business in the villages of Kafr Shuba, Kawkaba and Rashia al-Foukhar, without causing fatalities.

At 2000 hours, the radio service of the Israeli enemy acknowledged that an Israeli soldier had been slightly wounded.

At 2300 hours, it was announced by the enemy radio that, following the bombardment of Israel army positions in the Shab'a farmlands by Hizbullah and the wounding of an Israeli soldier, Israeli Army General Beni Gantz, General Officer Commanding Northern Command, had made a visit to the frontier area and convened a press conference in which he attributed responsibility for what had happened in the farmlands to Lebanon and Syria and warned against any escalation of the situation by Syria saying that, if the Israeli army decided to respond, it would be the Lebanese who would suffer.

These acts of aggression reaffirm Israel's hostile attitude and the nature and number of these unjustified and inexcusable violations and acts of aggression confirm Israel's premeditated intent to threaten and provoke and to disrupt security and stability in order to serve its aggressive, expansionist objectives throughout the region.

The Mission of Lebanon, in drawing the attention of the Secretary-General of the United Nations to the gravity and possible consequences of such acts of aggression, requests the circulation of this letter of complaint as a document of the General Assembly, under agenda item 37, and of the Security Council.

(*Signed*) Sami **Kronfol**
Permanent Representative

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General Assembly

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**Fifty-eighth session**
Agenda item 16 (c)
**Elections to fill vacancies in subsidiary organs and other elections**

# Election of seven members of the Committee for Programme and Coordination

## Note by the Secretary-General

1. In accordance with Economic and Social Council resolution 2008 (LX) of 14 May 1976 and General Assembly decision 42/450 of 17 December 1987, the members of the Committee for Programme and Coordination are nominated by the Economic and Social Council and elected by the General Assembly.

2. The membership of the Committee in 2003 is as follows (see General Assembly decisions 57/405 A of 4 November 2002 and 57/405 B of 1 May 2003):

Argentina,*** Armenia,*** Bahamas,* Benin,*** Botswana,* Brazil,*** Canada,*** Central African Republic,*** China,** Cuba,*** Ethiopia,** France,* Gabon,*** Germany,*** India,*** Indonesia,*** Iran (Islamic Republic of),*** Japan,** Mexico,* Monaco,*** Nicaragua,*** Nigeria,** Pakistan,*** Republic of Korea,** Republic of Moldova,*** Russian Federation,* South Africa,*** Switzerland,*** Tunisia,** Ukraine,*** United Kingdom of Great Britain and Northern Ireland,*** United Republic of Tanzania,* United States of America* and Uruguay.**

* Term of office expires on 31 December 2003.

** Term of office expires on 31 December 2004.

*** Term of office expires on 31 December 2005.

3. The General Assembly, at its fifty-eighth session, will be called upon to elect seven members, on the nomination of the Economic and Social Council, to fill the vacancies in the Committee that will occur on 31 December 2003 upon the expiration of the terms of office of the Bahamas, Botswana, France, Mexico, the Russian Federation, the United Republic of Tanzania and the United States of America.

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4. In accordance with General Assembly decision 42/450, the vacancies are to be filled as follows:

(a) Two members from African States;

(b) One member from Eastern European States;

(c) Two members from Latin American and Caribbean States;

(d) Two members from Western European and other States.

5. By its decision 2003/201 B of 29 April 2003, the Economic and Social Council nominated the following Member States for election by the General Assembly at its fifty-eighth session, for a term of three years beginning on 1 January 2004: Bahamas, Comoros, France, Mexico, Russian Federation, United States of America and Zimbabwe. The geographical distribution of the nominated Member States is as follows:

(a) African States (two vacancies): Comoros, Zimbabwe,

(b) Eastern European States (one vacancy): Russian Federation;

(c) Latin American and Caribbean States (two vacancies): Bahamas, Mexico;

(d) Western European and other States (two vacancies): France, United States of America.

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**Fifty-eighth session**
Agenda item 17 (a)
**Appointments to fill vacancies in subsidiary organs and other appointments: appointment of members of the Advisory Committee on Administrative and Budgetary Questions**

## Letter dated 6 November 2003 from the Permanent Representative of Sierra Leone to the United Nations addressed to the President of the General Assembly

I have the honour, in my capacity as Chairman of the African Group for November 2003, to make reference to the letter dated 9 October 2003 addressed to the Secretary-General of the United Nations by the Permanent Representative of Rwanda to the United Nations, in the latter's capacity as Chairman of the African Group for October 2003 (see annex), and to further inform you that I have been mandated by the African Group to reiterate, hereunder, the African Group's position with regard to the three candidates reflected in document A/C.5/58/5 as Africa's candidates to fill the two seats allocated to Africa in the Advisory Committee on Administrative and Budgetary Questions for the elections to be held on 7 November 2003:

(a) It is a well-known fact at the United Nations that the selection of African candidatures to fill vacant seats in the various organs of the United Nations is based on the African Group's established rules and procedures and objective criteria applied by the African Group Candidatures Committee to effect the principle of equitable geographical distribution among the five subregions of Africa, thereby enabling all African countries, big or small, to have a chance to serve in various organs of the United Nations;

(b) On the basis of the above-mentioned objective criteria and in accordance with the African Group's established rules and procedures and the principle of equitable geographic distribution, Africa's three seats in the Advisory Committee on Administrative and Budgetary Questions are allocated as follows:

- One seat: West Africa
- One seat: On rotation between eastern and southern Africa
- One seat: On rotation between Central and northern Africa

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The two vacant seats for 2003 were therefore allocated as follows:

- One seat for West Africa: Côte d'Ivoire was endorsed for re-election by the African Group and subsequently by the Summit of the African Union held in Maputo in July 2003
- One seat on rotation between eastern and southern Africa: it was the turn of southern Africa to encumber the seat on rotation, and Botswana was endorsed by the African Group and subsequently by the Summit of the African Union held in Maputo in July 2003

The African Group is therefore reaffirming its position as reflected in the letter dated 9 October 2003 addressed to the Secretary-General by the Permanent Representative of Rwanda, Chairman of the African Group for October 2003: only two candidates were endorsed by the African Group and the Summit of the African Union, namely, Collen Vixen Kelapile (Botswana) and Manlan Narcisse Ahounou (Côte d'Ivoire — for re-election).

I would therefore be grateful if the present letter and its annex could be urgently circulated as a document of the General Assembly under agenda item 17 (a).

(*Signed*) Joe Robert **Pemagbi**
Ambassador
Permanent Representative of Sierra Leone to the United Nations
Chairman of the African Group for the Month of November 2003

## Annex to the letter dated 6 November 2003 from the Permanent Representative of Sierra Leone to the United Nations addressed to the President of the General Assembly

## Letter dated 9 October 2003 from the Permanent Representative of Rwanda to the United Nations addressed to the Secretary-General

In my capacity as Chairman of the African Group for October 2003, I have the honour to make reference to the letter dated 4 April 2003 addressed to you by the Permanent Representative of Mauritania in his capacity as Chairman of the African Group for April 2003, under cover of which was transmitted a list of candidatures endorsed by the African Group for a number of United Nations bodies, including the Advisory Committee on Administrative and Budgetary Questions, for which Botswana and Côte d'Ivoire were endorsed by the African Group for the two seats to be filled by Africa.

In that connection, I am transmitting herein the names submitted by the two Governments as their respective candidates for the elections to be held during the fifty-eighth session of the General Assembly: Collen Vixen Kelapile (Botswana) and Manlan Narcisse Ahounou (Côte d'Ivoire) (for re-election).

(*Signed*) Stanislas **Kamanzi**
Ambassador
Permanent Representative of the Rwandese Republic to the United Nations
Chairman of the African Group for the Month of October 2003

# A/58/554

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**Fifty-eighth session**
Agenda item 131
**Financing of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994**

# Financing of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994 for the biennium 2004-2005

## Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the budget for the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994 for the biennium 2004-2005 (A/58/269). The Committee also considered the report on the supplementary estimates arising in respect of Security Council resolution 1503 (2003) on the creation of a new position of Prosecutor for the International Criminal Tribunal for Rwanda (A/58/368) and the comprehensive report on the progress made by the Tribunal in reforming its legal aid system (A/58/366). During its consideration of the reports, the Committee met with the newly appointed Prosecutor, the Registrar and other representatives of the

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Tribunal and representatives of the Secretary-General, who provided additional information.

2. Subsequent to its consideration of the budget estimates of the Tribunal for 2004-2005 and the supplementary estimates arising in respect of Security Council resolution 1503 (2003), the Advisory Committee received the report of the Secretary-General on the revised estimates arising in respect of Security Council 1512 (2003) on the establishment of five additional ad litem judges in the Tribunal (A/58/550) (see paras. 33-43 below).

## Completion strategy

3. The Advisory Committee notes that pursuant to the request of the General Assembly in its resolution 57/289 of 20 December 2002, the Tribunal has developed a completion strategy (see A/58/269, annex).

4. In this connection, the Advisory Committee notes the following:

- It is expected that by the end of the biennium 2002-2003 the Tribunal will have rendered 15 judgements involving 21 accused since the first trial was held, in 1997
- In addition to the 21 accused whose trials have either been completed or are at the closing stage, 41 detainees are engaged in or awaiting trial
- 10 persons are currently on trial, and 4 trials involving 10 accused will have started in the second half of 2003
- Trials involving the remaining 21 detainees will start in 2004 and later
- 17 indictees remain at large
- 3 cases were on appeal as at July 2003

5. The Advisory Committee further notes that it is expected that by July 2005 a maximum of 26 new indictments could result from ongoing investigations expected to be completed by the Office of the Prosecutor by the end of 2004. However, there will be fewer trials if all the persons are not found.

6. With four ad litem judges supplementing the trial chambers (from September onward), it is expected that the trials of the 41 detainees mentioned above could be completed by 2007. Trials of the indictees still at large, 17 at most, could be completed by 2009, and trials of the suspects not yet indicted, a maximum of 26, could be completed by 2011. However, the number of persons brought to trial will most probably be fewer than 43, so the trials could be completed earlier.

7. However, the Advisory Committee notes that the Tribunal's completion strategy was estimated on the basis of the trial capacity and number of judges as at September 2003 (see para. 18 below). As further indicated in the summary and conclusion of the completion strategy, the time frame for the completion of the Tribunal's mandate could be expedited if the number of ad litem judges allowed to sit at any one time were increased from four to nine and if they were allowed to adjudicate over pre-trial matters, which would require amendments to the Tribunal's statute (A/58/269, annex, para. 4).

8. The effect on the completion strategy of the increase in the number of ad litem judges approved by the Security Council in its resolution 1512 (2003) of 27 October 2003 is discussed in paragraphs 42 and 43 below.

## Proposed budget for the biennium 2004-2005

9. The Advisory Committee welcomes the presentation of the budget of the Tribunal in a results-based format, as requested by the General Assembly in its resolution 57/289. The Registrar informed the Committee during its hearings that the budget proposal for the biennium 2004-2005 had been prepared primarily on the basis of the concept of and in the spirit of the completion strategy, the highlights of which were reflected in the logical framework developed in the context of the presentation in the results-based budgeting format.

10. The overall level of resources proposed for the Tribunal for the biennium 2004-2005 amounts to $208,768,800 gross ($187,272,900 net) before recosting, reflecting an increase of $4,806,200 gross ($4,402,200 net), or 2.4 per cent, over the 2002-2003 appropriation (see A/58/269, table 2). After recosting, estimated at $26,408,300 gross ($25,585,000 net), the proposed requirements for 2004-2005 amount to $235,177,100 gross ($212,857,900 net).

11. However, the decision of the Security Council to create the new position of Prosecutor of the Tribunal would entail an increase in the estimated resource requirements in the amount of $3,971,700 gross ($3,417,900 net), increasing the overall requirements for the Tribunal for 2004-2005 to $239,148,800 gross ($216,275,800 net) after recosting (see A/58/368, table 2, and paras. 21 and 23 below).

12. The Advisory Committee notes that the budget estimates for 2004-2005 were calculated on the basis of a projected exchange rate of 1,039 Tanzanian shillings to one United States dollar and 530 Rwanda francs to the dollar. The vacancy rates used are 16.5 per cent for Professional and 10.4 per cent for General Service staff.

13. Extrabudgetary resources projected for 2004-2005 amount to $2,723,900, as compared with an estimated amount of $2,368,600 for 2002-2003 (see A/58/269, table 2).

14. The Advisory Committee was informed of the delayed payment by several Member States of their assessed share of the approved budget of the Tribunal for 2002-2003. As a result of such delays, allotments to the Tribunal are issued in a piecemeal manner covering only two months at a time, and there is a need to cross-borrow. **The Committee reiterates the importance of ensuring the flow of funds in order to allow the Tribunal to carry out its activities and complete its mandate.**

15. The proposed staffing table for the period 2004-2005, as shown in the budget document, comprises 984 posts, reflecting the conversion of three posts (2 P-4 and 1 P-3) from temporary assistance resources to temporary posts for internal oversight services (see A/58/269, table 2 and para. 69).

16. However, as indicated in the report of the Secretary-General on supplementary estimates arising in respect of Security Council resolution 1503 (2003) (A/58/368, paras. 7-8), the appointment of a separate Prosecutor for the International Criminal

Tribunal for Rwanda and the establishment of an independent Appeals Unit will entail additional resources in terms of staffing and related costs related to a net increase of 13 posts. The staffing changes include seven additional posts in the Office of the Prosecutor and seven additional posts for the Appeals Unit, offset by the elimination of one Local level post. This would bring the total number of staff to 997 (394 Professional and 603 General Service) (see ibid., table 3, and para. 23 below).

17. The Advisory Committee notes that, as at 31 August 2003, the Tribunal's vacancy rates were 20 per cent for Professional and 12 per cent for General Service staff. The Committee has referred to the issue of high vacancy rates in the past and the related difficulty of accurately determining requirements for additional personnel until the number of vacancies is considerably reduced (see A/56/666, para. 16). The Committee was informed that efforts and plans had been introduced to reduce the vacancy rates of the Tribunal for international and national staff. In this connection, the Committee notes that important posts such as Deputy Prosecutor, Chief of Investigations, Chief of Prosecutions and Chief of Evidence have been filled during the current biennium (see A/58/269, para. 9).

**Chambers**

18. The proposed budget for the Chambers for the biennium 2004-2005 amounts to $7,212,100 gross before recosting, reflecting resource growth of $2,203,000 or 44.0 per cent, as compared with the appropriation for 2002-2003 of $5,009,100 (see ibid., table 4). The provision includes an amount of $6,756,400 for salaries and allowances for nine permanent trial judges, two appeals judges and the four ad litem judges established by the Security Council in its resolution 1431 (2002) and elected by the General Assembly in its decision 57/414 C of 25 June 2003.

19. The resource growth is due mostly to the delayed impact of the honorariums of the four new ad litem judges approved in 2003, the related common staff costs and retirement allowances in respect of four judges. The provision for salaries and allowances has been calculated on the basis of the terms and conditions of service set out in General Assembly resolutions 53/214 of 18 December 1998, 55/249 of 12 April 2001 and 56/285 of 27 June 2002. As indicated in the report of the Advisory Committee on the International Criminal Tribunal for the Former Yugoslavia (A/58/449, para. 16), the next comprehensive review of emoluments, pensions and other conditions of service of the judges will be undertaken during the fifty-ninth session of the General Assembly, and estimates may need to be adjusted in the light of decisions taken at that time. The provision also includes an amount of $455,700 for travel, an increase of $38,500.

**Office of the Prosecutor**

20. Resources for the Office of the Prosecutor for the biennium 2004-2005, as proposed in the budget document, amount to $51,129,800 gross before recosting, a decrease of $170,600, or 0.3 per cent, compared with the resources appropriated for 2002-2003 of $51,300,400. The recosting of the budgetary provisions to 2004-2005 rates would increase them to $60,347,000 gross ($52,947,800 net).

21. The appointment of a separate Prosecutor of the International Criminal Tribunal for Rwanda will entail an increase in the estimated requirements for the Office of the Prosecutor in the amount of $3,971,700 gross, thus increasing the

assessed budget requirements for the Office to $64,318,700 gross at 2004-2005 rates (see A/58/368, para. 8 and table 2).

22. The proposed staffing requirements of the Office of the Prosecutor for 2004-2005, as shown in the budget document, reflect the continuation of 221 posts (175 Professional and 46 General Service). The net increase of $444,500 for posts and of $66,500 for staff assessment results from the delayed impact of 11 new posts approved for the biennium 2002-2003 (see A/58/269, table 6).

23. The supplementary estimates arising with respect to the creation of a new position of Prosecutor include a net addition of 13 posts for the Office of the Prosecutor. Seven additional posts relate to the immediate Office of the Prosecutor (1 Under-Secretary-General, 1 P-5, 2 P-4, 1 P-3, 1 General Service (Other level) and 1 Field Service), thus bringing the total number of posts in that Office to 10 (1 Under-Secretary-General, 1 D-2, 1 P-5, 2 P-4, 2 P-3, 2 General Service (Other level) and 1 Field Service). Additional resources of $2,208,800 gross ($1,882,400 net) are estimated. Seven additional posts are proposed for the Appeals Unit (2 P-4, 2 P-3, 2 P-2, 1 General Service (Other level)), offset by the elimination of one Local level post, which, combined with the 5 existing posts in the Appeals Unit, would bring the total number of posts there to 11 (1 P-5, 3 P-4, 3 P-3, 3 P-2, 1 General Service (Other level)). The additional related resources would amount to $1,762,900 gross ($1,535,500 net) (see A/58/368, paras. 7-8). **The Advisory Committee has no objection to this request.**

24. As indicated in paragraph 5 above, and in accordance with the completion strategy, it is expected that investigations could be concluded by the end of 2004. At the same time, preparatory work has been initiated in expectation of appeals being lodged. Moreover, it is anticipated that the number of potential appeals could increase during 2004-2005 from 10 to 25 (see A/58/269, para. 55).

25. The Advisory Committee notes the initiatives undertaken by the Office of the Prosecutor to alleviate the staffing situation, including the introduction of a new staff selection system, which is expected to decrease the high vacancy rate; internal redeployment; enhancement of the capabilities of the Information and Evidence Support Unit; and training of staff (see ibid., para. 58). The Committee welcomes the in-depth assessment to be made as the investigation phase nears completion, which should lead to a determination of the number of posts to be abolished, redeployed or retained (see also A/58/449, para. 22). **The Committee looks forward to the results of this assessment.**

26. **The Advisory Committee concludes from the narratives on the budget and the completion strategy as well as its hearings that the number of accused still at large and yet to be arrested is very tentative, and that this uncertainty may affect the performance measures established for the Office of the Prosecutor (A/58/269, table 5).**

27. The Advisory Committee notes that 40 suspects have been identified whose prosecution could be referred to national jurisdiction for trial. However, for the International Criminal Tribunal for Rwanda, unlike the situation in the International Criminal Tribunal for the Former Yugoslavia, no procedures for such transfer have been established or have received the concurrence of the Security Council (see ibid., para. 30).

**Registry**

28. The resource requirements for the Registry for the biennium 2004-2005 are estimated at $150,426,900 gross ($136,006,400 net) before recosting, an increase of $2,773,800 gross ($2,436,300 net), or 1.9 per cent, over the 2002-2003 appropriation of $147,653,100 gross ($133,570,100 net). Extrabudgetary resources are estimated at $2,549,000 for 2004-2005, compared with $2,216,600 for the biennium 2002-2003.

29. Resources of $86,559,200 for posts provide for a staffing table comprising 763 posts (208 Professional and 555 General Service) (see ibid., table 8). The increases of $2,331,200 under post resources and $337,500 under staff assessment compared with the 2002-2003 appropriation reflect the delayed impact of the 98 posts approved for 2002-2003 and the conversion of three posts (2 P-4 and 1 P-3) from general temporary assistance to temporary posts under internal oversight services (see para. 15 above). The proposed non-post resources of $49,447,200 reflect an increase of $105,100, before recosting, over the 2002-2003 appropriation.

30. The Advisory Committee notes increases of $321,600 under travel of staff, in view of the increase in travel and related allowances for witnesses and the travel of staff in support of witnesses, and $150,100 under general operating expenses, based on the pattern of expenditure and revised rental agreements. An amount of $330,400 is included for the Tribunal's share in the coordination of United Nations security measures. A provision for the upgrading of prison facilities in third countries is also included ($250,000). **The Advisory Committee is of the view that the use of these funds should be properly managed and closely monitored in order to ensure that convicted prisoners are housed and maintained in appropriate conditions.** The increases are offset by decreases of $510,300 under furniture and equipment and $384,400 under improvement of premises.

31. **The Advisory Committee stresses the need for continued close collaboration and coordination between the two Tribunals.** In this connection, the Committee notes the statement in the proposed budget that, with the substantial progress made in implementing the teleconferencing link with the International Criminal Tribunal for the Former Yugoslavia, it is anticipated that greater cooperation and exchange of information will be achieved in 2004-2005 (see ibid., para. 65).

32. **The Advisory Committee welcomes the report on the progress made by the International Criminal Tribunal for Rwanda in reforming its legal aid system (A/58/366) and commends the course of action proposed. However, the Committee does not share the concern raised in the report as to the discriminatory effect of restricting the lists of lead counsel, co-counsel, legal assistants and investigators to persons who reside in Africa, or that all co-counsel, and legal assistants and investigators are from Africa (see ibid., para. 42). The Committee is also of the view that the effect of implementing the recommendations on the cost of defence counsel is not yet clear, but that it is bound to be considerable. Information on progress made in that regard should be provided in future.**

## Revised estimates arising in respect of Security Council resolution 1512 (2003)

33. The Security Council, in its resolution 1512 (2003) of 27 October 2003, increased the number of ad litem judges from four to nine and accordingly amended articles 11 and 12 quater of the statute of the International Criminal Tribunal for Rwanda, authorizing the use of a maximum of nine ad litem independent judges at any one time and giving them power to adjudicate in pre-trial proceedings.

34. The Advisory Committee was informed that the additional ad litem judges could come on board very quickly from the pool of 18 such judges elected by the General Assembly in its decision 57/414 C of 25 June 2003, pursuant to Security Council resolution 1431 (2002) of 14 August 2002.

35. The report of the Secretary-General (A/58/550) sets out the additional resource requirements for 2004-2005 arising from the establishment of five additional ad litem judges in the International Criminal Tribunal for Rwanda. The Advisory Committee notes that the revised estimates arising in respect of Security Council resolution 1512 (2003) would amount to $12,239,600 gross ($11,193,400 net), inclusive of 45 additional temporary posts and related costs. The overall requirements for the Tribunal for the biennium 2004-2005 would therefore amount to $251,388,400 gross ($227,469,200 net) at 2004-2005 rates.

36. An additional 45 posts are foreseen in connection with the five new ad litem judges, including 20 Professional (1 P-5, 6 P-4, 8 P-3, 5 P-2/1) and 25 General Service posts (10 General Service (Other level) and 15 Local level). The additional post-related resources amount to $6,657,700 at 2004-2005 rates.

37. The Advisory Committee notes that the decision of the Security Council in its resolution 1512 (2003) entails an increase of $2,445,100 in the estimated requirements for Chambers, for a total of $9,789,600 at 2004-2005 rates. The Committee also notes that increase in the number of ad litem judges will change the number of trial chamber sections from four to six, thus increasing the trial capacity of the Tribunal and accelerating the completion strategy (see para. 42 below). The provision for salaries and allowances mentioned in paragraph 18 above would increase by $2,400,100 at 2004-2005 rates to include the additional five ad litem judges.

38. The additional requirements for the Office of the Prosecutor would amount to $1,897,400 gross, increasing the assessed budget requirements for the Office to $66,216,100 at 2004-2005 rates. Six Professional posts are proposed to handle the anticipated heavier workload related to the increase in trial sessions to six per day, the need to strengthen major trials in progress and the need for support in bringing additional cases to trial. The additional posts include one P-5 for a senior trial attorney, two P-4s for trial attorneys and three P-3s for assistant trial attorneys.

39. The requirements for the Registry arising from Security Council resolution 1512 (2003) entail additional resources of $7,897,100, bringing the total requirements to a total of $175,382,700 gross at 2004-2005 rates. The Secretary-General is proposing an additional 14 Professional posts and 25 General Service posts (10 General Service (Other level) and 15 Local level). Seven Professional posts (2 P-3 and 5 P-2) and two General Service (Local level) posts are proposed for the Chambers Support Section. The two P-3 posts will coordinate each new

Chambers section, and the five P-2 posts will provide assistance to the judges by conducting research on jurisprudence of the Tribunal and general international legal issues. The General Service staff will provide secretarial support.

40. The Judicial and Legal Services Division is proposed to be strengthened with 19 General Service posts (10 General Service (Other level) and 9 Local level). The Language Services Section would be strengthened with seven Professional posts for interpreters and revisers (4 P-4 and 3 P-3) and one General Service (Local level) post for a court attendant. Three additional General Service (Local level) posts are proposed to provide administrative and support services in the Administrative Support Services Division.

41. **The Advisory Committee recommends acceptance of the requests for posts referred to in paragraphs 38 to 40 above.**

42. The Advisory Committee notes that the strengthening of the Tribunal's judicial capacity would most probably put the Tribunal in a position to complete all its trial activities very close to the end of 2008, the target set by the Security Council in its resolution 1503 (2003), instead of 2011 (see A/58/550, para. 2). Furthermore, the Committee notes the indication that increasing the number of ad litem judges to nine, at an additional cost of $12 million per biennium, will allow the Tribunal to deliver its mandate in 2.5 bienniums (including 2004-2005) through 2008, at an estimated total cost of 628,471,000, as compared with the initial estimate of 4 bienniums (including 2004-2005) and total estimated resources of $956,600,000 — hence the savings of $328,124,200 (see ibid., para. 5).

43. **The Advisory Committee recommends that the completion strategy for the Tribunal be revised to take into account the decisions of the Security Council contained in its resolutions 1503 (2003) and 1512 (2003) (see paras. 3-8 above).**

## Conclusions and recommendations

44. The initial estimate proposed by the Secretary-General for 2004-2005 in respect of the International Criminal Tribunal for Rwanda amounts to $235,177,100 gross ($212,857,900 net). The additional requirements related to the decision contained in Security Council resolution 1503 (2003) on the establishment of a Prosecutor for the Tribunal increase the overall estimate by an amount of $3,971,700 gross ($3,417,900 net) to a total of $239,148,800 gross ($216,275,800 net). The additional requirements related to Council resolution 1512 (2003) increase the estimate for 2004-2005 by an amount of $12,239,600 gross ($11,193,400 net) to a total of $251,388,400 gross ($227,469,200 net) at 2004-2005 rates. **The Advisory Committee recommends approval of this amount.**

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**Fifty-eighth session**
Agenda item 104
**Follow-up to the International Conference on Financing for Development**

## Summary by the President of the General Assembly of the High-level Dialogue on Financing for Development

1. More than 190 Governments, many at the ministerial level, along with 35 intergovernmental organizations, some represented by their most senior officers, and 50 civil society stakeholders from the business sector, academia and non-governmental organizations came together on 29 and 30 October 2003 in the General Assembly to participate in the first High-Level Dialogue on Financing for Development. I was pleased to be presiding when, for the first time ever, the President of the World Bank and the Managing Director of the International Monetary Fund (IMF) addressed the General Assembly in plenary session. Also addressing the Assembly were the Deputy Director-General of the World Trade Organization and senior officials of United Nations and regional entities.

2. By their very acts of participation, as well as by what they and other senior officials from the various stakeholder organizations said over the two days of the Dialogue, a clear signal was sent of continued strong international support for the unique Monterrey process. This is critical for the full implementation of the Monterrey Consensus that the heads of State and Government and other senior officials of our Member States adopted in Monterrey, Mexico, on 22 March 2002.

3. Speakers in the Dialogue were frank in their assessments of implementation thus far. So too were the business and civil society experts who spoke during the day of hearings on financing for development on 28 October, which were an integral part of the Dialogue. All in all, participants welcomed progress where it has occurred, but insisted that much more is required and that there has been slippage in some areas, notably in disappointing developments in international trade and financial transfers. In this context, there were many calls for a more precise mechanism for monitoring implementation of the Monterrey commitments as we go forward, as well as for the targets embodied in goal 8 of the Millennium Development Goals. Many speakers felt that both developed and developing countries should report on actions being taken to implement the Monterrey Consensus.

4. One participant crystallized the issue: the intellectual argument was won in the Monterrey Consensus and what we need now is to explore in all relevant

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international forums how best to accelerate the implementation of the commitments made. The essential issue in delivering the Monterrey Consensus is "political will" and many speakers urged that we explore how to muster that political will.

5. I hope that the discussions in the round tables on 29 October and in the interactive dialogue on 30 October, which were very rich, will bear practical fruit in the follow-up that the Assembly will undertake during November. It is clear from listening to the Dialogue that participants found useful the assessments in the report of the Secretary-General (A/58/216) and I wish to express appreciation to him and his staff, particularly the Financing for Development Office of the Department of Economic and Social Affairs, for the report. Many speakers referred to the recommendations contained in the report, as well as to ideas of their own, leaving us with a rich basis for our further work.

6. The remainder of the present report summarizes the main themes addressed at the Dialogue. It should be read together with the summaries of the eight round tables, which are contained in the annex.

**Mobilizing domestic resources**

7. Developing countries and countries with economies in transition stressed their own primary responsibility for economic and social development and highlighted the importance of domestic resource mobilization for financing development. Many developing countries noted their efforts to implement policies aimed at promoting sustainable development and poverty reduction as well as the need for continued and intensified endeavours to that end, with support from development partners.

8. Countries highlighted progress made in improving governance through institutional reform and consolidating democratic structures, including through greater transparency and accountability, strengthened anti-corruption regulation and measures to combat money-laundering. They stressed the importance of continued progress in this area as essential in effective domestic policy-making and creating a conducive environment for domestic and international investment. African countries noted the progress in the peer review mechanism within the New Partnership for African Development (NEPAD) as a regional initiative in this regard. Some participants stressed the importance of democracy and fulfilment of human rights as an essential element in the implementation of development, while others regarded democracy as a development goal in itself that warrants monitoring. Speakers also noted the results of efforts to end conflict and the need for continued progress in this area since peace and security are prerequisites for development.

9. Countries recognized the importance of implementing counter-cyclical macroeconomic policies that promote stability and sustained delivery of social services over the business cycle. They noted the efforts that have been made in macroeconomic policy reform, reform in the tax code and the administration and formulation of medium-term fiscal frameworks, while realizing the need for further action. Some countries also emphasized the importance of coherent economic and social development and the need to safeguard social expenditure in the priority areas of health and education, as well as expenditures in the areas of poverty reduction, rural development and infrastructure. It was made clear, however, that resources for these expenditures in most low-income and some middle-income countries are seriously lacking. The severity of this problem in the least developed countries, landlocked developing countries and small island developing States was

underscored. Yet some countries highlighted the substantial progress made in poverty reduction and a few indicated favourable prospects for attaining the Millennium Development Goals and beyond.

10. Many speakers highlighted the important role of the private sector in economic and employment growth and, in turn, poverty reduction. Many Governments have made, and will continue to make, efforts in the areas of institutional reform, privatization and liberalization, where appropriate, to help foster its development, particularly with regard to small and medium-sized enterprises (SMEs).

11. Promotion of technology and skills transfers and investment from industrialized countries were seen as important for private-sector development. In addition, the development of a sound and diverse financial sector that includes facilitating access for SMEs, microenterprises, women and the poor is critical. Some countries noted the efforts that they have made and underscored the need for continuing and accelerating reforms of the banking sector, strengthening the financial regulatory framework and developing capital markets.

12. Developing and transition economies, echoed by developed countries, emphasized the importance of international support for their domestic efforts to mobilize financial resources for development in implementing the Monterrey Consensus and the Millennium Development Goals. Several participants stressed that policy-making in developing and transition economies is restricted by conditionalities imposed by multilateral and bilateral donors. There is a need to streamline conditionalities and align poverty reduction strategy papers with national development strategies aimed at enhancing ownership of domestic policies and development priorities. Donor and recipient countries emphasized the importance of multi-stakeholder partnerships in financial and technical assistance in capacity-building in the relevant domestic policy areas as a crucial means of support for the domestic policies of developing and transition economies.

**Private capital flows**

13. Many participants stressed the important role of private flows as a source of investment, technology, skills transfer and economic growth for poverty reduction in developing countries, and some called for exploration of how those flows could be fostered. It was emphasized that to promote foreign direct investment (FDI) and other private flows it is critical for domestic policies in developing countries to create a good climate for investment both domestic and foreign. An institutional framework should be in place to promote, support and protect investment from political risk.

14. Speakers also stressed the role of international financial institutions in promoting foreign private investment flows. Several speakers representing Governments said that in order to help attract FDI those institutions should increase support for the development of the necessary infrastructure, including in the information and communication technology sector.

15. It was pointed out that there is too much uncertainty regarding developing and transition economies that discouraged private financial flows. In this regard, it was suggested by some government and NGO representatives that international financial institutions should develop mechanisms to mitigate political risks. Also, those institutions should increase the use of financial instruments developed in the private

sector to better manage the commercial and financial risks associated with investing in developing and transition countries.

16. It was recognized that profit is the underlying motive for private investment. Therefore, private resources may not always be available where they are most needed to reach development goals. Accordingly, a number of speakers indicated that public-private partnerships, especially in key sectors like infrastructure, health and education, could help to resolve this problem in some countries.

17. Several speakers representing Governments and the private sector discussed various tools for improving information flows concerning investment opportunities in developing countries. Such tools might bridge the information gap and enhance investor confidence. In this regard, several pilot projects by the business sector were supported, including a global clearing house of information on developing countries tailored to the needs of investors.

18. Some speakers focused attention on migrant workers' remittances as a significant source of financial flows from developed to developing countries. The total amount of recorded remittances is about $100 billion per year; they are twice as large as official development assistance (ODA) and represent the second largest source of external financing after FDI. Properly channelled, this flow could be a very important source of investment financing. Several participants in the discussion proposed that this important source of flows should receive more attention in the financing for development process.

19. Many participants representing Governments and NGOs noted that private capital flows have declined despite the efforts made by developing countries to improve the business environment and the legislative and regulatory framework in a way that integrates requirements for attracting financial flows, particularly FDI. It was also stressed that private foreign investment is mainly concentrated in a very limited number of economies. Despite steps to attract and absorb FDI flows, the majority of developing countries are still excluded from private foreign financing.

20. Many speakers stressed that the domestic policies in developing countries alone could not solve the problem of attracting foreign capital flows. It was noted that lower capital flows are in large part due to the decline in global growth and macroeconomic and financial imbalances in the developed countries. Some participants called for better policy coordination among the major industrialized countries to eliminate the macroeconomic imbalances that cause volatility in exchange rates and international capital flows and impede sustained financial flows to developing countries. As part of the partnership between developed and developing countries that produced the Monterrey Consensus, much greater efforts should be made to develop policies that are consistent with the dual goals of domestic and global stability.

21. The declining trend in private capital flows to developing countries was among the major issues discussed during the Dialogue. Several government representatives, NGOs and intergovernmental organizations proposed a focused discussion of this issue in the next annual spring meeting of the Economic and Social Council with the Bretton Woods institutions and the World Trade Organization (WTO) and/or during the next Dialogue in 2005. In the latter case, it was suggested that the Secretary-General be requested to provide assessments and analyses that would form the basis for the discussion.

**International trade**

22. Most speakers considered international trade policy to be a major area of concern to a forum on financing development. In this regard, many participants expressed dissatisfaction with policies in developed countries that they saw as adversely affecting the international trade of developing countries. Such policies include developed country limitations on imports of textiles and clothing from developing countries and agricultural subsidies in developed countries that render developing country production non-competitive in home and third-country markets. The latter policies were seen as especially harmful to rural areas of developing countries, which usually have a relatively high poverty density. Speakers also charged that developed countries abuse the "anti-dumping" measures that are allowed by WTO since some of these countries seek to limit competitive imports when such limits are not warranted by WTO rules. Together with capital mobility and trade in goods and services, many participants expressed the view that greater provision should be made for labour mobility within the international trading system. Speakers also drew attention to the volatility of prices in international commodity markets and the persistently low prices for a number of commodities.

23. Regarding WTO negotiations under the Doha work programme, there was universal concern about the inability to come to agreement at the Cancún ministerial meeting of WTO held in September 2003. Many participants spoke of the need to resume these negotiations as soon as possible and to work expeditiously towards a conclusion that effectively strengthens development, one that entails fair and equitable trading rules. Some speakers expressed concern that the substantive differences in negotiating positions at Cancún reflected differences in how developed and developing countries perceive the development dimension of the Doha agenda of negotiations. There was also a call to focus on WTO negotiation procedures, which need to be made more transparent and better take into account developing country views.

24. Looking more broadly at the structure of the international trading system, a number of speakers emphasized the important role that regional cooperation can and does play in trade and financial flows and called for its further promotion. Many speakers urged that regional trading arrangements should be a building block for the multilateral system and not a stumbling block.

25. Since WTO is a key global forum, some participants called for a closer institutional relationship between WTO and the United Nations, which could better facilitate international consideration of the development dimension of international trade policy and help strengthen its coherence with other dimensions of development policy. In this context, a number of speakers emphasized that greater trade access in developed countries would only provide an opportunity and that policies in developing countries to facilitate a supply response and strengthened international cooperation in their support were also essential.

26. A number of speakers expressed concern about developments in international commodity markets in recent years. Developing country farmers, often in the poorest countries, have had to absorb the effects of the volatility of international commodity prices and their low values. One proposal to deal with volatility was to increase development assistance to counter declines during cycles of commodity prices. Another idea was to consider establishing a mechanism that would provide commodity price guarantees for poor countries. More broadly, it was also proposed

that this matter be considered at the United Nations in a more comprehensive and focused manner.

**ODA and other resources**

27. Many donor country delegates reported on the progress made by their countries since the International Conference on Financing for Development in increasing aid to developing countries. In particular, delegates welcomed the fact that major donors had made important additional commitments at the time of the Monterrey Conference, such as that of the European Union (EU) to collectively raise its ODA volume to 0.39 per cent of gross national income (GNI) by 2006, as an interim step towards fully reaching the United Nations target of 0.7 per cent. Several member countries have already achieved or are adopting specific timetables to achieve the target.

28. However, delegates also noted the large gap still remaining between the expected flows and what is needed to achieve the Millennium Development Goals. A number of African delegates noted that ODA remains low despite their countries being better governed than ever before. It was stressed that this shortage of funds is owing not to lack of resources but to the relatively low priority that is accorded to development cooperation relative to other categories of government donor expenditure. Thus, while ODA increased by almost 5 per cent in 2002 to reach $57 billion, military expenditures rose by 6 per cent to reach $794 billion, not including the expenditures related to the war in Iraq. Also, each time an event takes place that significantly affects international peace and security, the focus on development assistance seems to be derailed.

29. Delegates commended the positive steps taken by donor countries in harmonizing aid procedures and improving coordination among donors, including the adoption of the Rome Declaration on Harmonization in February 2003. It was noted that the EU countries are in the process of applying the Organisation for Economic Cooperation and Development/Development Assistance Committee (OECD/DAC) recommendations on the untying of ODA to the least developed countries and that they agreed to further untying at their Council meeting in May 2002. However, both recipient and donor countries agreed that progress has been slow in improving the effectiveness of aid delivery and coordination. In addition, the limited absorptive capacity of some developing countries was seen as an impediment to the disbursement of cur ntly available aid money.

30. Given that the severe shortage of aid funds could endanger the achievement of the Millennium Development Goals, many speakers argued for a more active exploration of new and innovative sources and mechanisms of financing, such as the international finance facility proposed by the United Kingdom or levies on the utilization of the global commons or international currency transactions. Some argued that renewed issuance of special drawing rights would provide additional international liquidity and allow developing countries to release resources for investment. Also mentioned was the world solidarity fund proposal, which would be funded by voluntary contributions. Many called for an increase in core resources for United Nations development assistance.

31. Given the inherent disadvantages and vulnerability of the least developed countries, landlocked developing countries and small island developing States, delegates from these countries emphasized the need for special international

recognition and differentiated support. Some delegates also stressed the importance of targeted assistance to emerging and middle-income countries, which account for half of the world population and have important regional impacts on other developing countries. A number of delegates called for increased South-South financial cooperation, as well as assistance and debt relief in relation to less-developed regional partners. Some new and prospective donors, such as the transition economy countries acceding to the European Union, expressed interest in triangular aid schemes through which they would offer their technical assistance to a developing country with third-party financial support.

**External debt**

32. Participants noted that unsustainable external debt levels persist in many developing countries and constitute an impediment towards the achievement of the Millennium Development Goals and other development objectives. While it was recognized that there has been progress in reducing the debt-servicing payments of the severely indebted low-income countries through the Heavily Indebted Poor Countries (HIPC) initiative, many speakers argued that more needs to be done. In addition, some called for increased efforts in developing innovative debt relief mechanisms.

33. It was felt that the HIPC process is too slow in delivering relief. In addition, many speakers argued for the introduction of revisions in debt sustainability criteria since they do not allow for a definitive exit from an unsustainable debt situation. Accordingly, a number of creditor Governments expressed their willingness to revisit the issue of "topping up", which is a mechanism to deepen the debt relief of those HIPC countries that, at completion point, still face an unsustainable debt situation due to disappointing trade trends or external shocks. While this may be part of the solution, speakers mentioned that debt sustainability for many low-income countries also requires that future official financial inflows be dominated by grants rather than loans. A few participants called for debt cancellation for the poorest countries. Moreover, speakers stated that creditor compliance needs to be improved since there have been delays in delivering on HIPC commitments. In this regard, a group of countries proposed that the World Bank and IMF report regularly on the compliance of member countries with their HIPC commitments.

34. Delegates also expressed their concern at the unsustainable debt situation of a number of non-HIPC countries. They called for an expansion of the HIPC initiative to incorporate other low-income countries with unsustainable debt burden which were not previously considered.

35. The debt problem of middle-income countries was also highlighted. Several middle-income countries continue to experience severe debt crises, whose resolution is often lengthy, difficult and costly for all involved. Accordingly, participants argued for continuing consideration of the creation of an adequate sovereign debt restructuring mechanism. In this regard, many speakers felt that the United Nations, in consultation with all the concerned stakeholders, would be the legitimate forum to address this issue and it was thus suggested that the United Nations play a more active role in facilitating the consideration of modalities for sovereign debt restructuring. One option could be the Secretary-General's proposal for the constitution of an informal multi-stakeholder study group on debt workout

mechanisms, whose deliberations and conclusions could be reported back to the appropriate decision-making intergovernmental bodies.

**Systemic and institutional issues**

36. Improving the international financial architecture, including matters related to symmetric surveillance, liquidity and crises prevention, and enhancing overall coherence were seen by several participants as major challenges for the international community. When addressing coherence, many speakers pointed out its many dimensions: national, regional, international and multilateral. It was stressed that it is important to deal with their interactions and advance simultaneously to enhance coherence on the various relevant levels. At the national level, economic measures and policies must be consistent with social policies and objectives. An effective partnership with donors also requires social policies and objectives that take into account the Millennium Development Goals, which implies coherence of approaches and actions in the main ministries and organs of government, popular support and a genuine involvement of parliament. The Monterrey Consensus contains key domestic policy orientations in the economic and social sectors, yet this should not lead to the homogenization of policies and approaches in recipient countries.

37. Several speakers reflected on the interaction of domestic actions and international cooperation policies. Aid flows could lead to better outcomes if measures that distort or impede trade in donor countries are eliminated. Also, the macroeconomic policies and the evolution of the economies of large donor countries have a major impact on the environment faced by other economies. Sustained growth in such countries accompanied by reasonably stable exchange rates and financial markets could do much to spur growth worldwide. It is crucial, therefore, as indicated in the Monterrey Consensus, that policy formulation in the large economies should take duly into account its impact on the rest of the world.

38. In most cases, dialogue between partners in a bilateral, regional or multilateral context has contributed to improving coherence and consistency. It is important to enhance ownership in recipient countries and coordination among donors, harmonize aid procedures and lower transaction costs of aid. It is critical to align the formulation of poverty reduction strategy papers with the national development strategy and with the IMF Poverty Reduction and Growth Facility with the former. It is necessary for conditionality and adjustment support not to override human development concerns.

39. Many speakers expressed the view that improved global economic governance and coherence and consistency of economic, financial, trade, social and environmental issues and policies requires making greater use of the United Nations. The mandates contained in the United Nations Millennium Declaration (General Assembly resolution 55/2), the Monterrey Consensus and other recent global conferences point in that direction. Moreover, the intergovernmental process, which includes all countries of the world, the involvement of the United Nations system of agencies and funds, and innovative procedures for the participation of civil society and the business sector have made the United Nations the natural and most appropriate forum to deal with global economic governance related issues. The current Dialogue, which includes the main Monterrey stakeholders — the Bretton Woods institutions, the World Trade Organization and the regional entities — is a clear illustration of that. At the same time, as one minister stated, the above

mandates and the requirements of global coherence, harmonization and consistency constitute the central ideas for strengthening the United Nations.

40. Many proposals on strengthened global governance and coherence emerged in the plenary meetings and round tables to move the Monterrey Consensus forward. Several country representatives, supported by civil society, called for a more meaningful institutional relationship between the United Nations and WTO. Others called for an in-depth consideration of global governance and coherence-related issues in a more focused manner in the General Assembly and the Economic and Social Council. Some ministers proposed exploring and examining new forms of constructive interaction between different stakeholders, while others recommended a review in the United Nations of current proposals to strengthen the relationship and interactions between the United Nations, the Bretton Woods institutions and WTO. In this context, some speakers also advocated for the increasing participation of civil society and the private sector in strengthening the multilateral system.

41. In the context of the stewardship of the global economy and the monitoring of international economic cooperation and global economic and social trends, a number of interventions focused on the need for a strong and effective international body, such as an economic and social security council, or a much strengthened and more effective Economic and Social Council. In a transitory phase, before any of these options materializes, improved arrangements at the level of both the General Assembly and the Economic and Social Council could and should address the key global economic issues within the United Nations framework. Some participants also proposed that the United Nations financing for development process could sponsor the establishment of informal forums for discussion, integrating relevant stakeholders with an interdisciplinary approach to remove blockages preventing coherence and cooperation in the current global economic environment.

42. Reflecting on the need to monitor the consistency of national policies with respect to employment growth, one participant recalled that such a mandate was going to be given to the Economic and Social Council under the Havana Charter but has never been implemented, and that the surveillance provided for in the IMF Articles of Agreement focuses on the appropriateness of national policies for domestic stability rather than on their compatibility with global growth. He proposed that, given the greater participatory and universal character of the United Nations processes, the Economic and Social Council could be an appropriate forum for the discussion of increased policy coherence so as to produce a global environment conducive to the attainment of domestic development policy objectives of developing countries.

43. Participants reiterated the importance of strengthened international tax cooperation through enhanced exchange of information, sharing of best practices and coordination of multilateral and regional efforts in this area. They supported the Secretary-General's recommendation to convert the Ad Hoc Group of Experts on International Cooperation in Tax Matters into an intergovernmental body so that it could, inter alia, better contribute to the increased mobilization of financial resources for development in developing and transition economy countries. Many representatives stressed the need for the proposed new body to take into consideration the concerns of all countries, including the interests of small developing States.

44. Many representatives from countries, intergovernmental organizations and civil society called for the enhanced participation of developing countries in multilateral economic decision-making, particularly in international financial institutions. There was support for current efforts to address this issue. A number of participants observed that it is necessary to review the voting rights and shares in the international financial institutions since they do not properly reflect the current realities of the world economy. Some representatives noted the importance of reaching a consensus on this matter as soon as possible.

**Staying engaged**

45. There was a general agreement that the main focus of the financing for development follow-up process should be on the monitoring and promotion of partnerships for the implementation of the Monterrey Consensus in all its aspects. Many speakers stressed that a more precise supporting framework is necessary for monitoring the implementation of the Monterrey agreements and commitments at the national and international levels. Both developed and developing countries should report, on a regular basis, on actions being taken by them to implement the Consensus. Some speakers stressed the importance of developing clear indicators to assess progress towards the implementation of the results of the Monterrey Conference.

46. Overall support was expressed for making greater use of the United Nations, particularly the General Assembly and the Economic and Social Council, as the global scorekeeper on macroeconomic, financial, trade, social and environmental issues and policies. The crucial role of the United Nations in promoting an integrated and coordinated approach to the implementation of and follow-up to the outcomes of major international conferences and summits in the economic, social and related fields was also emphasized. The link between financing for development and attaining the Millennium Development Goals was clearly recognized, both in measuring development progress and helping to guide development priorities.

47. Many speakers highlighted the vital role of the biennial Dialogue and the annual spring meeting of the Economic and Social Council with the international financial and trade institutions for moving forward the Monterrey process, and offered ideas on how to draw lessons from the experience of the current Dialogue in order to improve future encounters. The views and proposals of the Secretary-General on how to better organize and prepare the deliberations were largely shared and supported by many participants, including the need to focus the above-mentioned Economic and Social Council spring meeting on selected topics falling under the general theme of coherence, cooperation and coordination. Some participants highlighted the importance of ensuring and enhancing the participation in these meetings of the executive directors of the Bretton Woods institutions.

48. Several speakers were of the view that an additional supportive intergovernmental mechanism was needed for an effective financing for development monitoring and follow-up process. It was felt by many that the Economic and Social Council had to be provided with strengthened means to perform successfully the special tasks assigned to it in the Monterrey Consensus and to maintain the momentum of the financing for development process. There was a wide spectrum of proposals in this regard. Some participants expressed support for the recommendations contained in the report of the Secretary-General (see

A/58/216) regarding the possible establishment of an executive committee or an expanded Bureau of the Economic and Social Council, with balanced geographical representation, to interact with the Bretton Woods institutions and WTO in the preparation of the annual spring meeting. Others went further, proposing that a committee on financing for development be set up to undertake these and related responsibilities on a more structured and regular basis.

49. As already indicated above, proposals were also made to set up multi-stakeholder working groups to advance progress on critical issues of the Monterrey agenda, including financial regulation and governance of financial markets.

50. Many speakers proposed to make 2005 an important milestone in assessing the progress made in the implementation of the Monterrey Consensus and the achievement of the Millennium Development Goals. The work of the United Nations and the World Bank in launching a global information campaign and in developing a global monitoring framework for the Goals was greatly appreciated. Some participants suggested that the monitoring framework for the implementation of the Monterrey agreements and commitments should be similar, as appropriate, to that for the achievement of the Goals. There was a call to strengthen the Financing for Development Office of the Department of Economic and Social Affairs so that it may be able to properly perform all the functions assigned to it in General Assembly resolution 57/273.

51. In conclusion, participants recognized that the financing for development follow-up process is a complex task, requiring the commitment, inputs and collaboration of all concerned. The text of the Monterey Consensus provides guidelines for that endeavour. Still, a more detailed work plan is necessary to better measure and review progress, to identify problems and areas for priority work, and put in place innovative modalities for cooperation, in which all relevant stakeholders should be actively involved. Hopefully, the General Assembly at the current session will be able to provide guidelines for such an enhanced work plan as a concrete outcome of the rich deliberations of the Dialogue.

# Annex

## Summaries of the ministerial round tables

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## Ministerial round table 1

# Regional dimensions of the implementation of the results of the International Conference on Financing for Development

## Summary by the Co-Chairs

**Blas Ople, Secretary of Foreign Affairs of the Philippines**
**Enrique V. Iglesias, President of the Inter-American Development Bank**

### Deepening regional cooperation

1. A number of speakers underscored the role of regional cooperation in support of the Monterrey Consensus. Regional cooperation and intergovernmental partnerships, particularly in Asia and Africa, are increasingly used as an adjunct to the implementation of international resolutions and commitments and as a way of localizing the Monterrey principles. To this end, the New Partnership for Africa's Development has made impressive strides, in a relatively short period, in forging partnerships across the continent that promote both good governance and socio-economic objectives. Other subregional institutions on the continent, such as the Economic Community of West African States, in West Africa, and the Economic Commission for Africa, in East Africa, have achieved commendable progress on a number of fronts, including tariff harmonization, currency convertibility and a cross-border investment code. The business sector and civil society are increasingly integrated into these initiatives, especially with regard to corporate responsibility and the rights of vulnerable groups, including women, children and HIV/AIDS victims. In the case of Latin America, speakers referred to the rich tradition of countries in interregional cooperation and the new initiative by the Economic Commission for Latin America and the Caribbean to explore the importance of regional public goods. Deepening regional cooperation is closely linked to shared values and principles and the progressive transformation of more narrow economic concerns to broader social and political goals.

2. In the case of Asia and the Pacific, speakers dwelt on various initiatives forging strategic economic partnerships between the Association of South-East Asian Nations (ASEAN) and China, ASEAN and Japan, and ASEAN and the Republic of Korea. Also mentioned was the Asian cooperation dialogue, led by Thailand, and its initiatives to create an Asian bond market.

3. The effectiveness of regional cooperation can be enhanced when there is a broad agreement regarding the key objectives of development. Shared values lead to the adoption of mutually acceptable legal norms that eventually facilitate wider political and economic cooperation. Active dialogue with civil society organizations can facilitate achievement of a shared vision.

4. The need to strengthen coherence and consistency of policies to achieve sustainable growth on a regional level was emphasized. Issues of governance, partnerships and trade promotion need to be approached in a coherent way to ensure better harmonization of regional efforts and more efficient allocation of resources. Some speakers referred to the importance of a peer review process in relation to appraising governance practices at the local level as an effective tool to promote the principles of good governance and facilitate diffusion of best practices. In this

regard, the multilateral monitoring envisioned within regional groups, such as NEPAD, could be an important instrument of evaluation of economic policy of its members.

5. Peace remains a keystone and essential foundation for the sustainable development of developing countries. The active involvement of civil society in peace-building efforts, including broad-based popular participation in conflict prevention, is a prerequisite for any successful outcome in this area.

**Mobilizing domestic resources for development**

6. More than a year after Monterrey, the pledges made at the Conference have yet to be realized. In some regions, development finance is dwindling, developing country debt service levels remain unsustainable, and trade barriers impede the free flow of goods and services between developing and developed countries.

**Official development assistance**

7. The developing countries and civil society, bemoaning the slow pace of the rise in ODA levels, reiterated their urgent need for development assistance. Many areas that need the assistance of ODA were mentioned, including the strengthening of regional cooperation, the financing of elections and the improvement of social sectors. They warned that insufficient ODA levels would make achievement of the Millennium Development Goals a very difficult proposition.

8. The donor countries emphasized their efforts to improve ODA levels. The EU, which has a 53 per cent share of total OECD/DAC ODA, said that it has achieved about one third of the pledge to raise ODA levels in a single year. Others reassured the Dialogue that they were making good on their promise to also increase ODA levels. In the end, the challenge before the international community, voiced by donors and recipients alike, is to raise ODA levels while making them more effective.

**Debt relief**

9. Debt burdens continue to be onerous for many developing countries. Debt service levels consume a major portion of national budgets and limit the ability of countries to allocate resources to the social sector. Several developing countries have been disappointed over the HIPC initiative's inability to extricate poor country debtors from unsustainable debt situations.

10. Some developed countries, however, praised the HIPC initiative for alleviating poor country debt, when complemented by sound national economic policies. They say that the HIPC initiative provided a new architecture for providing assistance to heavily indebted poor countries. Speakers also called for efforts to be made to deal with middle-income country debt problems.

**International trade**

11. Several developing countries bemoaned the adverse effects of trade liberalization, one of globalization's supposed advantages. The current trade structure, they complained, has led to the impoverishment of many developing countries. The "fallacy of free-trade competition", which claimed two sets of rules

(exempt status for the so-called dominant countries and a set of rules for the developing countries to follow) was bitterly denounced.

12. The developed countries said that they are expending efforts to improve the structure of the multilateral trading system. Some have provided technical assistance to enable developing countries to engage constructively in WTO negotiations.

**Complementarities between the Millennium Development Goals and the Monterrey Consensus**

13. A number of speakers recognized the extensive complementarities that exist between the Millennium Declaration (and the Millennium Development Goals) and the Monterrey Consensus. The sum total of both initiatives is a reaffirmation of the Charter of the United Nations, especially its call for peace and development. In this connection, a clear link exists in the emphasis placed in both instruments on poverty reduction, good governance, and the importance that these initiatives must be primarily nationally led and owned. According to some delegations, the importance of domestic resource mobilization cannot be underestimated. Hence, regional initiatives and regional banking institutions must support an enabling environment in which regional and national resource mobilization can be enhanced. Several speakers noted that the desk-work for the Monterrey follow-up process and the Millennium Development Goals has been done with substantial progress on strategy, policy implications and reviews. Increasingly, the two, that is the Monterrey follow-up process and the Millennium Development Goals, are being tested by implementation, and by the international community's commitment to share its responsibilities at both the national and international levels.

**Asymmetries of globalization**

14. The issue of unequal gains from globalization was underscored by many speakers. The timing and scope of liberalization efforts should be country-specific to bring desired positive results. Equity considerations should remain on the agenda of the Monterrey follow-up process.

15. Several delegations, while acknowledging the power and contribution of the forces of globalization, were of the opinion that the fruits have not been justly shared and that additional inequalities have been exacerbated in the process. Developed countries were repeatedly disregarding their own exhortations of free trade by both overt and covert protection — especially on agricultural commodities. The small landlocked and island developing countries were particularly neglected and often did not benefit from the globalizing forces of this century.

**New proposals**

16. The Economic and Social Commission for Asia and the Pacific has launched the Asian bond concept, in an effort to put to good use a fraction of the substantial foreign exchange reserves of the countries in the region. Bonds are issued to finance infrastructure development. Other types of bond issues are being discussed to tap domestic savings to finance small and medium-sized businesses. Debt swaps, by means of which proceeds will be channelled to financing activities in the social sector, were also encouraged.

## Ministerial round table 2

## Regional dimensions of the implementation of the results of the International Conference on Financing for Development

## Summary by the Co-Chairs

**Samuel Zbogar, Secretary of State, Ministry of Foreign Affairs of Slovenia**
**K. Y. Amoako, Executive Secretary of the Economic Commission for Africa**

1. Eighteen months after Monterrey, senior officials of Governments, representatives of international organizations, members of the business sector and representatives of non-governmental organizations held a fruitful round-table dialogue. As we reflected upon the regional dimensions of the implementation of the International Conference on Financing for Development, we could not avoid to touch upon its global dimensions as well. We reiterated our commitment to the Monterrey Consensus and stressed the importance of keeping it high on the international agenda. We also recognized the need to ensure that the commitments made at Monterrey were fully implemented and global efforts for the implementation of those commitments were sustained. A summary of our discussion is set out below.

### Overall considerations

2. Many speakers voiced their concern about the nature of the ongoing process of globalization and its consequences. It was felt that, despite new initiatives and increased dialogue among development stakeholders, economic considerations still weighed heavily on the decision-making process to the detriment of social progress and economic justice. Thus, there was a need to shift the current paradigm towards a more equitable economic system in which the needs and aspirations of the disadvantaged and excluded could be met and their rights respected. In this regard, the specific situation of indigenous peoples required particular attention. Increased solidarity was also required. A reassessment of the value system under which the international economic community currently operates was called for.

3. Several speakers remarked that there have been considerable advances in the way that bilateral and multilateral donors incorporate the Monterrey Consensus, including the implementation of the Millennium Development Goals and the eradication of poverty, in their working processes. Nonetheless, it was felt that more needs to be done since inconsistencies remained. Certain programmes and conditionalities still produce negative outcomes as far as improved social conditions are concerned. In addition, as economic and social conditions deteriorate in certain countries, political instability emerges, further compromising development.

4. Participants expressed their concern at the limited attention the international community is paying to the employment problem and emphasized that the eradication of poverty is central to achieving the Millennium Development Goals. Many argued that it is through employment creation that the battle against poverty can be won. Several participants stressed the importance of labour standards and the need to generate decent jobs. The importance of small businesses for job creation was highlighted and the contribution of venture capital to support such enterprises was emphasized.

5. Some speakers recognized the emergence of new trends that posed additional risks to the international economic system. For instance, there has been increasing interdependency between the sustainability of growth and security. While international terrorism is undoubtedly a threat that needs to be eliminated, other forms of lawlessness, such as human trafficking, illegal migration and smuggling, need to be confronted as well. In addition, vast areas remain outside government control in several countries, thus providing fertile grounds for illegal activities and serious threats to international stability.

**International trade**

6. The setback in negotiations at the fifth ministerial meeting of WTO held in Cancún has contributed to creating greater awareness about the development concerns of the developing countries in the trade arena. Several panellists expressed apprehensions on a variety of issues, such as agricultural subsidies, access to essential drugs and related intellectual property rights issues, tariff escalation and market access. In Africa, some countries that have reached the HIPC completion point have not been able to attain the viability that was expected due to impediments to their commodity exports as a result of agricultural subsidies.

7. The scope and opportunities offered by intraregional and regional trade were stressed. It was pointed out that expanding market space could help in wealth creation and thus enable the mobilization of domestic resources. However, several panellists pointed out that the limited infrastructure is also a major impediment to trade in developing countries. Limited and costly transportation is also preventing trade integration in some regions, in particular in Africa. It was pointed out that opportunities created by new agreements, such as the Almaty Declaration, could be utilized to enhance intraregional trade.

8. Several speakers argued that a multilateral approach is needed to solve issues of imbalances in power, resources and voice. Regional and bilateral initiatives should be negotiated as building blocks towards an open rule-based and equitable multilateral trading system.

**Official development assistance**

9. It was emphasized that achieving the Millennium Development Goals requires great progress in both quantity and quality of ODA. While fulfilling the commitments made in Monterrey on increases in volume would represent a turnaround, it was clear that the scale of resources required is well beyond those committed. In this regard, new initiatives, such as the international finance facility proposed by the United Kingdom, are essential and should be supported. The terms of the assistance given are also critical and a much larger share should be in the form of grants so as to avoid impacting negatively on the debt sustainability of recipients.

10. Some progress has been made on various aspects of aid quality, such as accountability on the use of ODA, streamlining and harmonization of procedures, and collaboration among donors, but there is still a long way to go. Accountability has improved in the context of poverty reduction and strategy papers and further progress is expected in Africa owing to the NEPAD peer review mechanism. While policy ownership by recipients and participation by communities affected by the programmes have increased, when matters become technical donors often tend to

take the lead. In addition to improved capacity, greater ownership involves a cultural shift. Poverty reduction strategy papers are promoting the inclusion of local governments and NGOs in the distribution of aid. Finally, aid conditionality would be more effective if recipients could influence its goals.

**External debt**

11. Despite the progress made in reducing debt service payments, there was a sense that momentum has slowed in the HIPC initiative and that new measures may be needed, including for countries ineligible for HIPC. Also, many speakers called for improvements in the criteria for debt sustainability since some post-completion HIPC countries continue to face unsustainable debt situations. Some speakers also highlighted the need to address the issue of non-HIPC countries holding unsustainable debt positions. A role for the United Nations on debt relief decisions, in addition to the Bretton Woods institutions, was called for.

**Mobilizing domestic resources for development**

12. Several speakers highlighted the importance of mobilizing domestic resources to finance development. It was argued that this would give developing countries more control of their development process, since domestic resources do not suffer from the shortcomings that external resources do. External resources are volatile, they usually increase a country's indebtedness and they often meet only a small portion of a country's finance requirements. In addition, the development of domestic financial systems would also make a country more attractive to foreign investors. In this regard, it was stressed that it is important to create investment opportunities so that resources can be employed locally rather than be transferred to developed economies.

13. Natural resources can bring important contributions to the development process of countries concerned. Nonetheless, in several natural resource-rich countries, corruption, stagnation and a distorted economic system worsened. In some cases, there has been widespread looting of natural resources, with the proceeds being exported abroad. It is also urgent to implement stronger procedures to facilitate the return of funds illegally exported to developed countries. Increased transparency in the international banking industry and improved global standards for export credit guarantee agencies are called for.

## Ministerial round table 3

## Coherence and consistency of the international monetary, financial and trading systems in support of development

## Summary by the Co-Chairs

**Luisa Diogo, Minister for Planning and Finance of Mozambique**
**Ian Golden, Vice-President for External and United Nations Affairs of the World Bank**

1. The discussion reflected broad support for United Nations efforts to bring stakeholders together to take stock of progress in implementing the Monterrey

Consensus. Some participants noted the important progress in building coordinated international efforts to address some development issues, such as HIV/AIDS. Many of us also perceived shortcomings that we need to address and some of our speakers suggested how we might go about that. The Monterrey process is a collective learning process among all stakeholders. It not only sets policy goals for us to achieve but gives us a way to address each other about our shortcomings in reaching them and how to consider institutional and policy reforms to overcome them. Indeed, there was a sense of mutual responsibility in the round table and a concern to fully implement the Monterrey Consensus. This set the tone for a very fruitful discussion and a number of interesting proposals were made.

**Coherence and consistency 18 months after Monterrey**

2. Participants raised a wide range of coherence and consistency concerns among domestic and global policy objectives and their implementation, reflecting the multifaceted aspects of the issue. We want greater coherence and consistency, but that does not mean the homogenization of policies in developing and transition economies. Instead, the various stakeholders — Governments, international institutions, business and civil society — should achieve common goals collectively, while also addressing local needs and constraints.

3. The round table focused on four areas of concern to the question of incoherence and inconsistency in policy objectives and implementation: (a) the interaction between the external economic environment and the space for domestic policy; (b) trade-offs among domestic policy goals, such as between fiscal consolidation and social objectives, or trade liberalization and employment creation, all of which are important elements in poverty reduction strategies; (c) inconsistency at the international level, such as agricultural subsidies that harm countries to which donors are also providing development assistance; and (d) the discrepancy between the promotion of the Millennium Development Goals and the Monterrey Consensus, on the one hand, and weak coordination among donors and international agencies to implement their commitments on the other hand.

**How much has been implemented?**

4. Participants were concerned that the political will to establish systematic cooperation for development may have reached a peak in Monterrey. In particular, several participants expressed concern with the lack of progress made in trade liberalization. The difficulty in reaching concrete results in Cancún was placed on the structure and processes of the World Trade Organization, as well as the inability of developed countries to confront important domestic constituencies with specific trade interests and an asymmetry in how developed countries view the concerns of trade-related constituencies in developing countries.

5. There was also concern at the level of official development assistance, which while on the increase is far below the levels needed to meet our Millennium Declaration commitments. Progress on more effective aid delivery and harmonization of aid procedures was noted, but we have committed to making more progress and should do so. Different participants stressed the need to take a fresh look at the need to deepen the debt relief of the heavily indebted poor countries. As one finance minister observed, many countries have moved forward on their economic adjustments and poverty reduction strategies but have been left awaiting

the support expected from the international community. There was specific disappointment in the continuing low provision of core resources for United Nations development assistance.

6. Finally, as to the scorecard, Monterrey looked forward to rising international private financial flows to developing countries, but flows have in fact fallen and the terms-of-trade developments of many countries have continued to disappoint. Developing country debt levels continue to climb and there is no agreed set of practices on how to handle debt in crisis situations. What most discourages private financial flows, aside from outright bad news, is uncertainty, and there is currently too much of that regarding developing and transition economy countries.

**New proposals**

7. A number of specific proposals were made to advance implementation of the Monterrey Consensus, including strengthening United Nations and other efforts to support capacity-building for trade negotiations, as well as strengthening the capacity to respond to export opportunities when trade is liberalized. Trade liberalization should entail job creation. In addition, it was argued that macroeconomic policy-making in developing countries should focus more on job creation, which requires expanding access to credit in developing countries.

8. The international financial institutions should also better enable developing countries to bear the risks resulting from external shocks and be better able to transfer risk to the international capital markets through financial instruments that have developed over time in the private sector. A global clearing house of information on developing economies, tailored to the needs of investors, was also supported. There were also calls for increased international cooperation on tax matters, such as to remove tax competition, which occurs when different countries compete for the same foreign direct investment by offering tax concessions whose main effect is to weaken each country's tax base.

9. There was, moreover, a sense that something must be done to reverse the perceived dissipating of political momentum for development at the national and international levels. Several proposals were made to promote more effective dialogue among stakeholders. At the national level, for example, it was suggested that the business community should take a page from the NEPAD process and hold peer reviews of business, complementing the NEPAD programme of peer reviews of African Governments. For some issues, regional forums could be an effective means for building commitments to coherence and policy effectiveness. Indeed, everything does not have to be agreed at the global level, and in some areas regional or subregional forums can play an important role, as we have seen in Africa as well as in Europe, Latin America and the Caribbean, Asia and the Middle East.

10. Many of the suggestions were directed to more effective global economic governance and the greater role the United Nations could play in facilitating coherent and effective international economic policy-making. We saw a consensus on the desirability of making greater use of the United Nations as the global coherence forum for discussing economic, financial, trade, social and environmental issues. As the Monterrey process illustrates so clearly, the United Nations already brings the most voices to one table of any international body — indeed, it convokes representatives of different government ministries, let alone different international institutions, the private sector and civil society. Moreover, it has already been given

a mandate to serve as the global coherence forum by the Monterrey Conference, by the Millennium Summit and by the United Nations conferences of the 1990s. It is the world's umbrella forum and can be its global scorekeeper.

11. A number of proposals were offered to make the United Nations more effective in this capacity. Some were specific and modest, such as to request a special United Nations study of coherence issues and that we gather again to consider and act upon it. There were also calls, including from the private sector, to discuss international debt issues under United Nations auspices. Indeed, a concern was expressed about the initiative taken last week by the Group of 20 to further develop within its own intergovernmental mechanism the proposed code of conduct for debtor country Governments and private creditors, which originated with a group of private financial organizations. Finally, we heard the important proposal, as made earlier in the General Assembly by the President of France, to develop a new intergovernmental entity to play, in essence, the role that the Group of 8 has played in economic affairs and that now requires an entity of greater international legitimacy.

**Conclusion**

12. Our round-table discussion points to the need for further thought and discussion of the issues of coherence and economic governance. As one speaker mentioned, economic and financial crises come in clusters. As another mentioned, we must have a coherent trade and financial system. It cannot be said that we are ready and able to handle the next set of crises or to deliver that coherent system.

## Ministerial round table 4

## Coherence and consistency of the international monetary, financial and trading systems in support of development

## Summary by the Co-Chairs

**Ruth Jacoby, Director-General for Development Cooperation of Sweden**
**J. Lintjer, Vice-President of the Asian Development Bank**

1. Participants highlighted the interdependence between trade and development within the context of the historical experience of Asian countries prior to the financial crisis, and the message learned from Cancún that trade is not an end in itself but a means to mobilize resources for development. On the other hand, the capital accounts crises of 1997 had a very important message for Asian countries as well with regard to the importance of developing capital markets to help promote development and reduce poverty.

2. The two most important issues to be addressed are (a) the choice between an open regional approach and a multilateral approach to trade liberalization, and (b) an evaluation of the global monetary and financial system's performance in serving development and stimulating the flow of foreign direct investment.

**International trade**

3. A significant part of discussions concentrated on the issue of trade. Interdependence of trade and development has long been recognized by the United Nations Conference on Trade and Development but more recently by the Doha work programme of the WTO negotiations. Many participants expressed disappointment with the outcome of the recent WTO ministerial meeting in Cancún. Participants were of the view that regional trade agreements could become building blocks towards multilateral agreement, but advancing the Doha agenda remains the priority. Strong commitment was expressed for a strong, multilateral, rule-based trade system to facilitate development.

4. Two concerns were also expressed: one concerning the rhetoric of trade negotiations and how the development dimension is perceived differently by developed and developing countries, and the other with regard to unreliability of statistical estimates of potential benefits.

**Private financial flows to developing countries**

5. Several participants stressed that much capital has flown from developing to developed countries, creating negative net financial flows in the former. This is a systemic problem, which poses problems to the stability of the international and national financial markets. To counter this development, developing countries should create a conducive environment for savings intermediation.

6. Also, it was said that the international monetary and financial system is not always conducive to development. The lack of capital flows to certain developing countries has undermined the development processes, without increasing trade or investment in developing countries and thus not mitigating chronic unemployment problems or raising the standard of living or reducing poverty. This jeopardizes the achievement of the Millennium Development Goals.

**Macroeconomic surveillance**

7. An intergovernmental organization participant emphasized the importance of multilateral surveillance in the prevention of crisis and ensuring a healthy economy. However, the participant criticized the lack of focus on countries influencing the world economy and noted that the surveillance is concentrated on smaller countries, referring to the systemic risk posed by the current fiscal position of the largest economy in the world. In this regard, it was suggested that the Asian countries, in the aftermath of the financial crises, are building reserves in part because they do not have faith in the current system. He commented on issues of governance within the international financial institutions: the decision-making process within the international financial institutions lacks transparency, accountability and legitimacy. The voice of developing countries is not sufficiently heard within the Bretton Woods institutions and the voting distribution does not really reflect the size of the economies. Large countries, such as Brazil, have a smaller voting share than smaller economies like Belgium.

8. Some participants emphasized that there is a general lack of capacity at the national level that does not permit the development of healthy financial systems, which would bring confidence to investors, both international and local, to accumulate the productive investment necessary for growth and development.

**Coherence**

9. It was recognized that the coherence of trading, monetary and financial systems is far from perfect. It needs to be improved at the national, regional, and global levels. Participants paid a lot of attention to coherence at the national level. Policies advocated by various national institutions need to be consistent between each other as well as with internationally agreed goals. It is important that the outcomes of international meetings and discussions reach the national levels. This could be improved by securing higher-level participation in such meetings. Some proposed that a more relevant body with some decision-making power should be used to conduct such discussions in order to attract high-level officials.

10. Two general remarks were made, the first indicating that although coherence exists in terms of a goal in the charters of different institutions, enhanced participation is still needed, the second that coherence could be increased by finding new forms of constructive interactions between different stakeholders, the private sector and civil society.

11. Four issues were seen as requiring attention because of insufficient progress:

(a) Capacity-building, when it relates to trade, needs to be accompanied by building production capacity so that countries can take advantage of increased trade;

(b) The public sector's attention is on least developed countries, in particular on debt relief and ODA. The private sector, where the real financial expertise lies, is interested in activities in middle-income countries. Private flows to all countries could be stimulated if risk diversification vehicles are further developed, which would allow the private sector to get involved. Multilateral banks should act as risk mitigators;

(c) Organizations that deal with issues that could not be discussed within the WTO, such as the International Labour Organization (ILO) for labour and social issues and environmental organizations, should be strengthened;

(d) A more realistic financing of the Millennium Development Goals is necessary (see para. 17 below).

**New proposals**

12. A country representative asserted the need to strengthen the relationship and interactions between the Economic and Social Council, the Bretton Woods institutions and the WTO, emphasizing that his country — Norway — has many ideas on how to do this.

13. Another country representative proposed building on the experience of the Bureau of the Preparatory Committee for the International Conference on Financing for Development, by forming a similar body within the Economic and Social Council with balanced regional representation to interact with the Bretton Woods institutions and WTO.

14. The ILO representative proposed that the Economic and Social Council take up at its next spring meeting with the Bretton Woods institutions a focused discussion of (a) the outflow of funds from developing countries to developed countries, and (b) unemployment and how to deal with it in order to achieve coherence. This is in

line with the concept of coherence as embodied in the Charter of the United Nations and the founding goals of the United Nations.

15. Another proposal highlighted by the same representative relates to the possibility of having a summit meeting at the beginning of each General Assembly structured on the membership of the General Committee, which includes the five permanent members of the Security Council in its membership, thus allowing an interaction on global economic issues and coherence within the United Nations framework.

16. The representative of the World Economic Forum proposed the formation of an expanded G-8 at the leadership level to have a larger group of 20 or more countries analogous to the Security Council in its work, but in the economic field. The summits of the group would be serviced by a joint report from the presidents of the Bretton Woods institutions, and the expanded group would act as a trusteeship of the global economy. In a transitory stage, until this vision materializes the United Nations financing for development process could create forums for discussion at more integrated and interdisciplinary levels to remove blockages preventing coherence in the current global economic environment.

17. The same representative proposed more realistic ways to finance the Millennium Development Goals through establishing a coherent link between separate feasible policy options, such as the distribution of special drawing rights, use of IMF gold, more politically acceptable ODA, leveraging the capital base of multilateral development banks and broadening the tax base of developing countries.

18. There was a technical proposal by a business representative on how to improve the workings of the financial and monetary systems through market solutions, such as outsourcing the ratings of banks by the issuance of dollar-denominated bonds by those banks and bringing in rating agencies to rate those bonds. This would lessen the burdens on the regulatory side within Governments. One Co-Chair, in a comment on the technical nature of the proposal, emphasized the importance of thinking of ways and means to make use of interactions among various stakeholders within the financing for development process to make practical use of such ideas, to "work on how to work together to make use of the suggestions".

19. An NGO representative proposed that the Economic and Social Council form a multi-stakeholder working group to independently examine the issue of reform of the international financial institutions and enhancing the voice of developing countries in their decision-making mechanisms, and the strengthening of the Council through the formation of a steering committee within the Council.

## Ministerial round table 5

## The link between the progress in the implementation of the agreements and commitments reached at the International Conference on Financing for Development and the achievement of internationally agreed development goals, including those contained in the United Nations Millennium Declaration

## Summary by the Co-Chairs

**Hilde Frafjord Johnson, Minister of International Development of Norway**
**José Antonio Ocampo, Under-Secretary-General for Economic and Social Affairs of the United Nations Secretariat**

1. The round table generated a rich exchange on what developing and developed countries as well as multilateral organizations have done and what remains to be done in the follow-up to the Monterrey Conference and the implementation of the Millennium Development Goals and the goals of other international conferences. In this context, the discussion included the importance of monitoring the implementation progress at the national and global level, especially in the attainment of Goal 8. Participants recognized that monitoring is essential to ensure that commitments are meaningful and to track progress of implementation. They welcomed the work of the United Nations and the World Bank in developing a global monitoring framework for the Goals, building on the country-level monitoring work of the United Nations. One participant suggested a similar global monitoring framework for implementation of the Monterrey Consensus.

2. Participants noted that while progress has been made in implementation of the Monterrey Consensus and in attainment of the Millennium Development Goals, it has been uneven across countries and in different goals. Many underscored the large gap between the needed and available financing for the Goals and noted that there is a great urgency to implement coherent national and international policies to mobilize additional financing. They also emphasized the importance of further work on innovative mechanisms in generating new resources, including international bonds, an international finance facility and new private-public partnerships. In this regard, some participants noted that the critical element needed to implement the requisite policies to mobilize the necessary financing for development is political will.

### Domestic policies

3. Many developing country delegates reported on the important advances achieved in their countries in meeting their commitments under the Monterrey Consensus, especially in improving governance, fighting corruption and implementing domestic economic reforms. They fully realized the importance of continued efforts in this direction. It was pointed out that more equal distribution through, inter alia, reform of the tax system, would go a long way towards combating poverty in some middle-income countries. NEPAD is an example of a regionally owned programme of reform that is integral to working towards attainment of the Millennium Development Goals and the implementation of the Monterrey Consensus. Nine out of 18 good performance countries, identified

recently by the World Bank as capable of absorbing more foreign aid, were African. However, some delegates complained that such national efforts are frustrated by inadequate support from the international community due to the weakening world economic environment, competing demands on financial resources and a lack of political will in developed countries.

**Official development assistance**

4. Many donor country delegates reported on the progress made by their countries in increasing aid to developing countries, including the EU mobilization of one third of its commitments until 2006 within the one year since the Monterrey Conference. However, the current level of overall commitments on additional ODA flows, at about $16 billion by 2006, falls short of the estimated annual $50 billion required for achieving the Millennium Development Goals. It was stressed that the reason for this shortage of funds is not lack of resources but the relatively low priority that is given to development compared with other issues. Also critically noted is the slow progress in aid effectiveness, harmonization and coordination since the Rome agreement. However, the EU representative pointed out that the absorptive capacity of developing countries is an impediment to the disbursement of its available aid. Countries in Central Europe that are becoming new EU members offered to renew their development assistance and share their recent and ongoing transition experience.

**Debt relief**

5. The burden of unsustainable debt as a major factor hampering progress towards achieving the Millennium Development Goals was raised by many delegates, who argued for debt cancellation. Even many non-HIPC countries must spend unacceptably high shares of their government revenues, which could be used for development purposes, on debt servicing. Some delegates pointed out that the HIPC initiative was working too slowly and failed to offer adequate relief for debt sustainability.

**International trade**

6. Delegates regretted the failure of the trade negotiations in Cancún and emphasized the urgent need of restoring momentum of the Doha round. Improved access of developing countries' exports to developed countries' markets, especially for agricultural products, was a most effective contributing factor in reducing poverty in these countries. The extremely large agricultural subsidies given by industrial countries to their farming industry dwarfed aid flows and negated the benefits of the most important comparative advantage of the developing world. Trade ministers were also reminded of their country's human rights obligations, including economic, social and cultural rights, and the importance of policy coherence in this area.

7. Some delegates also drew attention to the issue of freer international mobility of factors of production to facilitate economic development worldwide, including imaginative new ways to facilitate technology transfer and economically beneficial movement of capital and labour. Given the growing importance of remittances as a source of finance for many developing countries, appropriately designed and

adequately managed labour mobility programs could be launched to assist developing countries.

**Mobilizing domestic resources for development**

8. Many participants emphasized the importance of South-South cooperation. An initiative of a group of three developing countries — Brazil, India and South Africa — to mobilize resources to fight against poverty and hunger was cited as an example. Other participants agreed that new ideas for South-South cooperation should be explored.

9. Many participants also stressed the key role of the private sector as a source of the investment, technology and skills transfer and economic growth necessary for poverty reduction in developing countries and some called for exploration of how this could be fostered. They also recognized that new private-public partnerships are important since private resources are not always available where they are needed. It is necessary to recognize that profit is the underlying motive for private investment. If political risks in private investments in developing countries can be mitigated, more private financing may become available.

**New proposals**

10. Initiatives were proposed to generate dialogue on promoting and fostering political will. There is a need to engender public support to work effectively at the country level on the Millennium Development Goals.

11. The United Nations needs to be reformed in the economic and social area to discharge its mandate. The dialogue between the Economic and Social Council, the Bretton Woods institutions and WTO needs to be strengthened.

12. The United Nations is to prepare a separate report for the next session of the Economic and Social Council that will offer an outline on policy coherence of the national and international levels.

13. A review of the progress of the Millennium Development Goals and the implementation of the Monterrey Consensus should be prepared by 2005, and should be integrated into the comprehensive review of the implementation of United Nations conferences.

14. Special measures should be considered to deal with the debt situation of non-HIPC countries, including initiatives outside the Paris Club.

15. Women's issues and rights should be integrated into the other Millennium Development Goals (apart from Goal 3). Female empowerment and women's issues should be central to the Millennium Development Goal implementation process.

## Ministerial round table 6

## The link between the progress in the implementation of the agreements and commitments reached at the International Conference on Financing for Development and the achievement of the internationally agreed development goals, including those contained in the United Nations Millennium Declaration

## Summary by the Co-Chairs

**Gonzalo Garcia Nunez, Director of the Central Bank of Peru and Special Envoy of the President of Peru**
**Mark Malloch Brown, Administrator of the United Nations Development Programme**

1. This round table explored the link between the implementation of the Monterrey Consensus and the achievement of Millennium Development Goals, with particular emphasis on global partnerships. The United Nations Millennium Declaration provided a powerful framework of development benchmarks, while the Monterrey Consensus provided a comprehensive set of commitments and agreements for financing development. Participants expressed a range of views, varying from a sense of frustration in regard to the slow progress in the implementation of the Millennium Development Goals to a guarded optimism on prospects for the future. In that context, speakers put forward a variety of ideas and proposals aimed at fully achieving financing for development targets. The importance of maintaining the spirit of Monterrey through inclusiveness, a multi-stakeholder approach and partnerships for development was underscored.

### Domestic policy issues

2. There was a general agreement that all countries bear primary responsibility for their own development. Sound domestic policies are crucial to both mobilizing domestic resources and attracting international resource flows for development purposes. Good governance is essential for the efficient implementation of domestic policies and for the efficient use of domestic and international resources. To support domestic efforts, partnerships among various stakeholders were also imperative.

3. Several participants highlighted NEPAD as an example of an innovative domestic and regional policy initiative coupled with strong international support. It was pointed out that African countries have recently made significant progress in improving governance and macroeconomic management. Those efforts have not been matched by an adequate international response, particularly in terms of foreign direct investment to sub-Saharan Africa. Exemplifying the sense of frustration, it was noted that governance has never been stronger in Africa yet aid per capita has never been lower and remains well below the absorptive capacity of those countries. On an optimistic note, it was recognized that this could be a historic opportunity to increase development assistance to the continent.

### International trade

4. There was a general agreement that trade is a dynamic engine for development. The collapse of Cancún added to the sense of frustration regarding the

implementation of the Doha development agenda. It was felt that a rapid resumption of multilateral trade negotiations is essential for reaching agreements on trade liberalization and promotion. Several participants stressed the need to enhance capacities and external market access for developing countries, in particular landlocked and small island developing countries.

**Private and official flows for development**

5. It was recognized that achieving the Millennium Development Goals would require significantly higher levels of financial resources and concrete mechanisms at the international level. The global economic slowdown and recent political developments, including conflict situations, have had a negative impact on the net transfer of resources to developing countries. The nascent recovery of the world economy gives rise to optimism. However, a number of participants were of the view that the implementation of commitments and agreements on financing development should be unconditional.

6. A view was expressed that to achieve the Millennium Development Goals in critical areas, such as health and education, aid conditionalities should be reviewed and reduced. Other participants referred to the recent progress in increasing the volume and improving the quality of official development assistance. One speaker stressed the importance of FDI for job creation in developing countries, which in turn would help to address vital social concerns, such as education and health.

7. Another speaker discussed various tools for improving information flows concerning private sector investment opportunities in developing countries. Such tools would bridge information gaps and enhance investor confidence. Pilot projects by business-sector participants were cited.

8. There was a call, from both the governmental and non-governmental sectors, to explore and implement innovative financial mechanisms, as well as other practical and viable tools, that could help developing countries to mobilize resources for the achievement of the Millennium Development Goals.

9. Support was expressed for the proposal by the United Kingdom Chancellor of the Exchequer on an international financing facility. Reference was also made to a proposal for a tax levy on wealth created by globalization.

**External debt**

10. Further steps in debt forgiveness were needed to achieve the Millennium Development Goals. It was noted that the HIPC initiative only addresses some 10 per cent of the total debt load of developing countries and that other initiatives should be addressed to alleviate the debt overhang of middle-income developing countries and economies in transition. One participant noted that with the failure of the special drawing rights mechanism initiative a new forum should be created to address sovereign debt issues, and expressed support for the proposal for a multi-stakeholder working group on debt issues.

**Systemic issues**

11. It was recalled that the Monterrey Conference provided a unique forum for multi-stakeholder engagement in the financing for development process. In this context, policy coherence at all levels is essential. Both the Millennium

Development Goals and the Monterrey Consensus provide a common framework for enhanced coherence, coordination and cooperation among all stakeholders. At the national level, several Governments have made significant strides to improve policy coherence through the engagement of their ministries of development, finance, trade and foreign affairs, as well as central banks. At the international level, a forum to address the issue of coherence and the Millennium Development Goals is called for. In this connection, reference was made to a range of proposals on Economic and Social Council strengthening and reform. In the same vein, the importance of the 2005 assessment of the progress towards Millennium Development Goals was highlighted.

**Conclusion**

12. The prevailing sentiment pointed towards the need to maintain both the spirit of Monterrey and the momentum for the achievement of Millennium Development Goals. The United Nations-sponsored Millennium Development Goals Campaign has been instrumental in raising awareness and mobilizing public support, both at the national and international levels. Political will is crucial for the implementation of the agreements and commitments reached at the Millennium Summit and the Monterrey Conference.

## Ministerial round table 7

## The link between the progress in the implementation of the agreements and commitments reached at the International Conference on Financing for Development and the promotion of sustainable development, sustained economic growth and the eradication of poverty with a view to achieving an equitable global economic system

## Summary by the Co-Chairs

**Donald Kaberuka, Minister of Finance and Planning of Rwanda**
**Rubens Ricupero, Secretary-General of United Nations Conference on Trade and Development**

1. Participants noted that the successes of the Monterrey Consensus included an acknowledgement that each country bears primary responsibility for its economic and social development and that developing countries need assistance in creating an enabling environment for development. Discussions focused on the real achievements made by many developing countries in achieving domestic reforms and the need for countries to fulfil commitments made at Monterrey.

2. It was further noted that financing for development is essential for achieving the Millennium Development Goals, including the alleviation of poverty and improving access to safe drinking water, the promotion of gender equality and combating the feminization of poverty, as well as in overcoming challenges posed by HIV/AIDS and other diseases.

**Mobilization of domestic resources**

3. It was widely recognized that domestic resources are an important source of financing for development, and that domestic reforms can enhance a country's ability to mobilize domestic financial resources. Several participants highlighted the effective reforms taken in their countries, such as the implementation of sound macroeconomic policies, in particular tax reforms, monetary policy and financial sector reform, better governance through improved transparency and anti-corruption regulations. One participant noted the effectiveness of tax reforms focused on transparency, accountability and simplicity in raising government revenues. Policies aimed at mobilizing domestic financial resources can also create an enabling environment for foreign direct investment. However, despite achievements, there remains a net outflow of capital from developing countries to developed countries. Moreover, additional claims on domestic financial resources, including those associated with HIV/AIDS, pose new challenges for many Governments.

**Foreign direct investment**

4. Participants noted that foreign direct investment has recently been lower than in the past despite reforms undertaken in many countries. This is in part due to slower growth in the world economy and points to the need for greater coordination in macroeconomic policies, especially among developed countries with large economies. It was pointed out that there remains a tendency for FDI to be concentrated in a few countries and in a limited number of projects.

**International trade**

5. Participants called the recent Cancún meeting a major setback and stressed the importance of trade as a key agenda item of the financing for development process.

6. A lack of significant initiatives and leadership could threaten the Monterrey pledge to create a multilateral trading system in support of development. Consequently, discussants called on each other to consider a message from the Dialogue that the Doha negotiations should be restarted as quickly as possible and with a clear commitment to putting development back at the centre of the trade agenda.

7. Participants noted that agricultural subsidies by developed countries combined with low tariffs in the developing world are causing unsustainable imbalances in the world trading system. Ensuring market access for developing countries (especially for agricultural and textile products) and ending agricultural subsidies by developed countries were seen as the most pressing concerns on the trade agenda.

8. Participants also underscored the urgency of addressing outstanding implementation issues and special and differential treatment. Some warned against expanding the trade system into non-trade areas. In this regard, they called for the exclusion of the Singapore issues from future negotiations and a review of the Agreements on Trade-Related Intellectual Property and on Trade-Related Investment Measures.

**Official development assistance**

9. Participants focused on the progress achieved in increasing the volume and the effectiveness of flows of official development assistance to recipient countries. It

was noted that while various initiatives announced at Monterrey (e.g., the Millennium Challenge Account of the United States) have not yet been fully implemented, the declining trend of ODA is reversing. They commended donor countries that meet or exceed the agreed ODA target of 0.7 per cent and urged others to follow suit. In light of the fact that net resource transfers to developing countries are still negative, participants underscored the need to rapidly increase the volume of aid and disburse it quickly in a predictable time frame. The proposal for an international finance facility was seen as an important potential mechanism that should be seriously considered by the international community. It was also noted that the World Solidarity Fund established at the World Summit on Sustainable Development could become another source of finance once it is adequately funded. Speakers emphasized that ensuring and increasing the quality of aid is critical. In this regard, the Rome Declaration on Harmonization was seen as a crucial effort to harmonize and reduce the multiple requirements of donor countries on developing countries and assist the latter in taking charge of their own development process.

**External debt**

10. Many participants stressed that unsustainable debt levels prevent many developing countries from achieving the Millennium Development Goals. The Heavily Indebted Poor Countries initiative was welcomed as an important instrument for debt relief. However, most speakers pointed to the fact that to date the initiative has fallen far short, even for countries that have reached completion point. In this regard, it was suggested that eligibility criteria should be more flexible to include more countries in the process. It was also argued that many middle-income countries have unsustainable debt, but there is no mechanism to address that problem. Several participants stressed that the United Nations should play a more active role in developing new mechanisms to resolve problems between debtors and their creditors.

**Participation**

11. Many speakers stressed the need to enhance the participation of developing countries in international economic decision-making. There was support of ongoing considerations of these issues by IMF and the World Bank. It was, however, emphasized that to date there have been no specific results.

**Coherence**

12. Speakers emphasized that there should be more coherence and consistency between financial, monetary and trade policies in order to sustain development. They called for developed country policy makers to take into account global development prospects while making decisions on various economic, social and financial issues. In this regard, bringing trade issues into the financing for development process was considered as an important move forward. More generally, many participants emphasized that there was a need for reform of the multilateral system, including to further stimulate the participation of civil society and the private sector.

**Conclusion**

13. Many speakers considered that financial outflows from developing countries are the most important indication that the objectives set in the Monterrey Consensus have not yet been fulfilled, despite progress on many individual issues. At the same time it was widely agreed that Monterrey was an ongoing process along with other global initiatives, and a point of departure for promoting development.

14. Participants highlighted the critical role that the annual spring meeting of the Economic and Social Council with the Bretton Woods institutions and WTO play in maintaining the momentum of the Monterrey Process. The establishment of working groups on major agenda items of the Monterrey Consensus and the strengthening of the FfD Office were suggested to enhance the effectiveness of financing for development.

## Ministerial round table 8

## The link between the progress in the implementation of the agreements and commitments reached at the International Conference on Financing for Development and the promotion of sustainable development, sustained economic growth and the eradication of poverty with a view to achieving an equitable global economic system

## Summary by the Co-Chairs

**Fernando Canales Clariond, Minister of Economy of Mexico**
**Mark Allen, Acting Director, Policy Development and Review Department of the International Monetary Fund**

1. The round table addressed a broad number of issues drawn from the commitments contained in the Monterrey Consensus and other related international agreements, in particular the development goals of the Millennium Declaration. Participants expressed the view that the International Conference on Financing for Development launched a new development partnership, based on the principle of mutual accountability between developed and developing countries. Within this holistic approach to development, the active involvement and support of the major stakeholders, especially the international financial and trade organizations and the United Nations system, is crucial to this process. The support of civil society and the business sector is also necessary to achieve progress in reaching the Monterrey objectives.

**External environment**

2. The vulnerability of developing countries to external shocks was discussed, and in this regard the need for international assistance for capacity-building and a supportive international economic environment for sustained growth was raised as essential for achieving the goals of the Monterrey Consensus.

3. Trade is essential for economic growth and many participants stressed the need for a fair trading system. While the recent Cancún meeting of WTO may be

considered a setback, participants expressed the view that multilateral trade negotiations must move forward without delay to comply with the Doha agenda for development. Developing countries' trade could gain significantly from the elimination of subsidies and barriers that have distorting effects, especially trade-distorting agricultural subsidies and the anti-dumping measures imposed by developed countries, as well as improved market access in developed countries for products of developing countries, increased technical assistance and capacity-building, and improved rules of conduct for multinational corporations.

4. The need for special and differential treatment for developing countries, as part of multilateral trade negotiations, was also seen as a vital aspect in achieving a supportive international environment.

5. It was also pointed out that growth in employment levels is a major factor in reducing poverty. Trade is a tool to achieve poverty reduction, but the sequencing of trade liberalization and the creation of export capabilities in developing countries was mentioned as an important element for allowing developing countries to reap the benefits of trade.

6. Domestic financial resources in developing countries are not sufficient for achieving growth and development and must be supplemented by substantial increases in ODA and other resources if developing countries are to achieve the internationally agreed development goals and objectives. It was acknowledged that there has been an increase in ODA, but it was also recognized that the increase has fallen short of the commitments made in Monterrey. Some ideas to increase the flow of resources to developing countries were mentioned, including efforts to improve international tax cooperation in order to avoid tax evasion and increase tax revenue.

**Debt relief**

7. The burden of external debt was cited by several participants as a critical obstacle for developing countries. Debt relief measures are therefore essential to release the resources required for achieving sustainable growth and development. Debt relief measures should not be limited to highly indebted poor countries. One participant proposed the establishment of a group of experts to also analyse the impacts of external debt on developing countries and determine appropriate mechanisms to reduce its burden.

**Domestic policies**

8. Economic growth is a necessary condition for development. It was also pointed out that more direct measures should also be taken to tackle poverty and promote human development. For instance, reducing unemployment and investing in education and health should be a priority. Some participants also stated that social spending should be kept high as a percentage of gross domestic product, even in an environment of fiscal retrenchment.

9. Countries should aim for a sustainable development path that promotes the sustainable use of natural resources, promotes social cohesion and prevents conflicts. Peace and security are prerequisites for sustained economic growth.

10. In the context of aid programmes, it was urged that developing countries need to have greater ownership of policies. Capacity-building, good governance and

technical assistance should be strengthened in developing countries in a democratic environment.

11. Participants called for an enabling business environment for domestic enterprises, especially small and medium-sized enterprises. In particular, there were calls for a favourable regulatory and legal framework, better transparency, and information flows between Governments and investors. Several speakers referred to the problem of corruption and its consequences for investment, both foreign and domestic. There was also a call for more work to review the adverse environment facing small and medium-sized enterprises.

**Coherence, accountability and monitoring progress**

12. Many participants emphasized that the voice of developing countries should be strengthened in the international financial and trading system, including in the Bretton Woods institutions and WTO.

13. Several participants noted that it is essential that all actions to achieve progress under the Monterrey Consensus taken by the international community, including the donor community, developing countries and intergovernmental organizations, be coherent and consistent with the international monetary, financial and trading systems in support of development.

14. Coordination within the donor community should be improved. For ODA to be effective, both developing and developed countries should work in partnership and with mutual accountability.

15. The need and importance of monitoring the progress of the Monterrey Consensus and the effectiveness of all development partners in achieving results was also stressed. Mechanisms to review the effectiveness of development assistance are being set up between various development partners, aiming for an increased dialogue between the different stakeholders.